

RAPPAHANNOCK ELECTRIC COOPERATIVE
BOARD OF DIRECTORS MEETING

MINUTES

WEDNESDAY, DECEMBER 08, 2021

The regular meeting of the Board of Directors of Rappahannock Electric Cooperative ("REC") was held at the Courtyard Marriott, located at 620 Caroline Street in Fredericksburg, VA 22401, with video conference capability, on Wednesday, December 08, 2021, pursuant to a five-day prior notice, all in accordance with REC's Bylaws. The following directors were present:

Attending in person were Eugene L. Campbell, Jr., Darlene H. 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
Senior Vice President - Member Services & External Affairs, David F. Koogler
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 team members joined the meeting for various presentations:

Managing Director – External Affairs, Brian Doherty
Managing Director – Administrative Services, Tosh Bowe
Managing Director- Eastern Region, Maxie Rozell
Managing Director- Western Region, Shawn McDonough
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
Director – Energy Solutions and Clean Energy, Joyce Bodoh
Supervisor of Budgets and Forecasting, Michael Curley

Chairman Shipe called the meeting to order at 10:00 a.m. Thereafter, with Mr. Shipe presiding, and with these minutes being transcribed under the direction of Secretary Sanford Reaves, Jr., 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).

Linda Gray 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 8, 2021 meeting.**

Special Guest-Member Request to Appear Before the Board

REC Member Andrea Miller met with the board through Zoom. Ms. Miller requested to meet with the board to support the On Bill Tariff program. Ms. Miller urged REC to 'go big' with the program and offer it to as many members as possible. She also expressed concerns with administrative fees, and ensuring there are no barriers to lower income members. She applauded REC for taking leadership in this program. She thanked the board and staff for the work so far on this important program. The board thanked Ms. Miller for her comments and she left the meeting.

Introductions & Announcements

Mr. Shipe welcomed the board to the meeting. Mr. Hewa recognized David Koogler on his upcoming retirement on January 3, 2022. Mr. Shipe then presented Mr. Koogler with a resolution honoring his service.

Resolution # 2021-12-01

Honorary Service Resolution

Resolution to Honor the Service of David F. Koogler

WHEREAS, David F. Koogler, Senior Vice President of Member Services and External Affairs, is responsible for the oversight of a wide range of member support functions and activities, including the contact center, billing and collections, key accounts, regulatory and government affairs, economic development, and communications and public relations; and

WHEREAS, Koogler joined Rappahannock Electric Cooperative (“Cooperative” or “REC”) in March 2011 and has more than forty years in Virginia’s electric utility business; and

WHEREAS, during his distinguished career David has served the Rappahannock Electric Cooperative membership, staff, community and environment with the upmost care, respect, integrity, and service; and

WHEREAS, David has demonstrated the qualities of a servant leader, in his industry, community and personal commitments, having served in a national industry leadership capacity, as well as a respected utility leader in the Commonwealth, on the Virginia Energy Efficiency Council, GridWise Alliance Board, and Central Virginia Partnership for Economic Development Board of Directors, community boards, leadership at his church, among others; and

WHEREAS, David has played a key role in furthering REC’s governmental affairs capacity, economic development capabilities, stellar member services division, and leading a world-class cooperative communications team; and

WHEREAS, after decades of dedicated service to Virginia’s electric utility business, he will retire January 3, 2022; and

WHEREAS, David Koogler is viewed as an influential leader of the Cooperative. The Board of Directors, Senior Management and staff wish David F. Koogler, his wife, Margie, their children and grandchildren the very best in their future endeavors, whether camping, at a music event or at a car show; and

NOW, THEREFORE, BE IT RESOLVED the Board of Directors of REC hereby honor the service and dedication, and extend their gratitude to David F. Koogler for his contributions to the Cooperative, membership, employees, and community throughout his ten years of service.

Certificate of Secretary

I, Sanford Reaves, Jr., 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 8, 2021, as reflected in Rappahannock Electric Cooperative’s minute book and that the same has not been rescinded or modified in any way.

This 8th day of December 2021.

Sanford Reaves, Jr.
Secretary

Mr. Hewa then informed the board that Tracey Steiner will officially begin with REC as Chief Engagement and Consumer Officer on January 17, 2022.

He then shared that Peter Muhoro has been appointed to the RE Magazine Editorial Review Board. Additionally, Joyce Bodoh has been appointed to the Association of Energy Services Professionals Board.

Mr. Hewa then informed that board that REC currently anticipates five retirements at year end.

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 20, 2021, regular Board meeting, the October 2021 Safety Report, the November 2021 Safety Report, the October 2021 Operating Report, and the Q3 2021 Capital Expenditure Report. There being no modifications to the consent agenda, the board **voted to accept the consent agenda as presented.**

New Business

2022 Annual Operating Report

Chairman Shipe called on Mr. Hewa for the 2022 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, each strategic team member shared focus areas from their respective departments. Michael Curley then presented the Operating and Capital budgets. The operating budget plans for net margins of \$15.5M with approximately 3.9 billion kWh sales, which are flat compared to the 2021 budget due to the impacts of COVID 19. Mr. Curley showed three-year comparisons for Operating Statements, Revenue, Expenses, and Margins, Balance Sheets, Financial Ratios, and Cash Flow.

The 2022 proposed capital plan includes \$68.7M for transmission and distribution projects and \$41.9M for general plant, which includes facility improvements, maintaining the fleet of vehicles and technology improvements.

Mr. Andrews and Mr. Curley 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 2022 Operating Plan as presented, pending any inquiries or comments by noon on December 17.**

Recess

The board then recessed the meeting for lunch with the C.A.R.E. Charity Board.

Unfinished Business

Proposed On Bill Tariff Program

Joyce Bodoh and Brian Doherty then joined the meeting to discuss REC's proposed On Bill Tariff program. They reviewed the stakeholder process that has been completed as well as many other program details. There was a discussion with the board on various details of the program. After review the board passed the following resolutions in support of the program.

Resolution # 2021-12-02

On-Bill Tariff Program

Resolution to Establish On-Bill Tariff Program

WHEREAS, § 56-585.7 of the Code of Virginia provides that a cooperative may, without State Corporation Commission approval, upon an affirmative resolution of its Board of Directors ("Board") and without the requirement of any filing other than as required, propose, establish, and implement an on-bill tariff program for energy efficiency measures; and

WHEREAS, Rappahannock Electric Cooperative (the "Cooperative") has conducted a stakeholder process to design the On-Bill Tariff program collaboratively with interested parties as per § 56-585.7 of the Code of Virginia; and

WHEREAS, the Cooperative does now desire to offer such a tariff to its Schedule A-1 and A-1-P customers; and

WHEREAS, the Cooperative's staff has analyzed the program using the methodology set forth in 20 VAC 5-304, and the results indicate the On-Bill Tariff program as proposed meets the three of the four tests cost/benefit measures, which utilities operating in Virginia must conduct to determine whether a proposed demand-side management ("DSM") program is cost effective and in the public interest; and

WHEREAS, the Board of the Cooperative was provided the details and results of the cost/benefit measures on December 3, 2021 for review in advance of the December 8, 2021 Board Meeting; and

WHEREAS, the Board of the Cooperative was provided the Residential On-Bill Tariff Program Rider Schedule OBT and Appendix F – On-Bill Tariff Rules And Regulations on December 3, 2021, for review in advance of the December 8, 2021 Board Meeting; and

WHEREAS, the Cooperative will engage a third-party consultant to analyze and verify energy efficiency savings from the program; and

WHEREAS, the Cooperative shall include documentation concerning the stakeholder process in its informational filing to the Commission and shall file a copy of the Residential On-Bill Tariff Program Rider Schedule OBT and Appendix F – On-Bill Tariff Rules And Regulations with the Commission for informational purposes only as provided per § 56-585.7 of the Code of Virginia; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Rappahannock Electric Cooperative does hereby approve the tariff for residential members to be offered on-bill tariff and that such tariff be administered in accordance with the conditions of § 56-585.7 of the Code of Virginia; and

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes and directs the Rappahannock Electric Cooperative staff to implement such a program.

Certificate of Secretary

I, Sanford Reaves, Jr., 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, does hereby certify that the above is a true and correct copy of a resolution adopted by the Board of Directors of Rappahannock Electric Cooperative at a meeting held on December 8, 2021, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 8th day of December 2021.

Sanford Reaves, Jr.
Secretary

Authorization of RUS RESP Loan Package

Resolution to Authorize RUS RESP Loan Package

WHEREAS, Rappahannock Electric Cooperative ("REC" or "The Cooperative") has developed the On-Bill Tariff program for its service territory intended to be funded with the proceeds from the United States Department of Agriculture's Rural Energy Savings Program ("RESP"); and

WHEREAS, REC will offer an On-Bill Tariff program for energy efficiency measures; and

WHEREAS, REC's officers are authorized to apply and borrow up to the amount of \$8,320,000 to fund the On-Bill Tariff; and

WHEREAS, REC will conduct a mid-program review and may return to the Board to ask for authorization for additional RESP funding; and

WHEREAS, REC's staff has analyzed the program using the methodology set forth in 20 VAC 5-304, and the results indicate the On-Bill Tariff program as proposed meets the three of the four tests cost/benefit measures, which utilities operating in Virginia must conduct to determine whether a proposed demand-side management ("DSM") program is cost effective and in the public interest; and

WHEREAS, the related documents will be considered by the Rural Utilities Service, an agency of the United States Department of Agriculture, in making a determination to make a financially feasible and adequately secure loan to REC ; and

WHEREAS, REC intends to submit a loan application under the RESP as prescribed in the Notice of Solicitation for Applications (NOSA) published in the Federal Register, Vol. 81, No. 119 on June 21, 2016; and

WHEREAS, the REC board of directors ("Board") has authority to approve On-Bill Tariff program, tariff and Terms and Conditions as provided under the Code of Virginia §56-585.7.B; and

NOW THEREFORE BE IT RESOLVED, that Rappahannock Electric Cooperative Board of Directors directs Rappahannock Electric Cooperative staff to submit the a RESP loan application for the On-Bill Tariff program; and

BE IT ALSO RESOLVED, that Rappahannock Electric Cooperative's officers, managing-directors, and staff are authorized to carry out all necessary actions –including but not limited to the executing and attesting all necessary documentation- in connection with the loan application to participate in the Rural Energy Savings Program as provided in the NOSA; and that the loan shall bear a maturity date to cover an approximate period not to exceed 20 years.

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Sanford Reaves, Jr.
Secretary

Reports

Finance Committee Report

Committee Chairman, Michael Lindsay, reported the Finance Committee met prior to the Board Meeting for the annual pre-audit meeting with auditing firm Adams, Jenkins, and Cheatham. Steve Gilliam will oversee the 2021 audit. The Committee received a preliminary audit work update and discussed audit parameters. The final audit will be presented at the regular April Board meeting.

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.

Mr. Hewa provided an update on REC's processing of the ARPA funding application to accounts as well as REC's ongoing COVID management.

He then updated the board on the ongoing supply chain concerns in the industry and specifically referenced a letter from NRECA to President Biden. Staff will continue to keep the board informed of ongoing supply chain challenges.

CEO Hewa and CEGO Arp provided details on two fully depreciated vehicles to be donated to the Southside Community College Lineworker program. They noted that these vehicles, a pickup and a bucket truck, will provide training resources for lineworkers, which in turn gives REC a more skilled workforce for the future.

The board voted to enthusiastically affirm management's decision to donate the two trucks.

Mr. Hewa concluded his report by notifying the board that he will be joining the Fredericksburg Regional Chamber of Commerce Board in January for a three year term.

Attorney's Report

The Board voted to enter executive session for the attorney's report and executive session items at 3:10 p.m. and after proper motion, voted to exit executive session at 3:34 p.m. No action was taken during executive session.

New Business

2022 Key Performance Indicators

Justin Cruise joined the meeting and shared the 2022 Key Performance Indicators with the board. After a discussion, Mr. Cruise left the meeting.

Loan Closing

Laura Evick with Hoover Penrod joined the meeting for a short briefing on the loan closing docs for the U-8 Loan.

Resolution # 2021-12-04

Rural Utilities Service Loan Closing Resolution

Resolution to Borrow \$175,000,000.00 From Rural Utilities Service

RESOLVED, that Rappahannock Electric Cooperative (the "Cooperative") borrow from the Federal Financing Bank ("FFB") an amount not to exceed \$175,000,000.00, to be guaranteed by the United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"); and

RESOLVED, that the Cooperative accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth in applicable instruments, including the RUS Loan Contract dated September 30, 2021; and

RESOLVED, that the Board Chair is authorized on behalf of the Cooperative to execute and deliver under its corporate seal, which the Secretary is directed to affix and attest:

- a. as many counterparts as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
- b. a note payable to FFB and guaranteed by RUS in the principal amount of \$175,000,000.00, substantially in the form of the FFB note submitted to this meeting; and
- c. the note payable to the Government, acting through the Administrator of RUS, substantially in the form of the Reimbursement Note submitted to this meeting; and
- d. as many counterparts as shall be deemed advisable of a Restated Mortgage and Security Agreement by and among the Borrower, the Government, National Rural Utilities Cooperative Finance Cooperative and CoBank, ACB, which, among other things, pledges all of the Cooperative's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$1,200,000,000.00 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and

RESOLVED, that the officers of the Cooperative be, and each of them is authorized in the name and on behalf of the Cooperative, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

RESOLVED, that the President & CEO and the Secretary, and any official(s) authorized to act in such corporate position(s) and to perform the functions of such position(s) is each authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments.

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Sanford Reaves, Jr.
Secretary

Following the briefing the executive committee signed the applicable documents.

Executive Session

The Board voted to enter executive session for executive session items at 4:38 p.m. and after proper motion, voted to exit executive session at 5:09 p.m.

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.

The Power Supply Report was given in executive session.

No action was taken during executive session.

Following the executive session, **the board voted to compensate directors, specifically the Chairman, for deposition, trial, preparation for each, and other legal matters commensurate with the daily rate.**

January Member Communications Review

The board received a preview of the January member communications.

Chairman Shipe called for any further business.

David Koogler thanked the board for the many interactions and collaborations at REC over his tenure. He shared a parting gift with each director.

There being no further business, **the Board voted to adjourn at 5:28 p.m.**

Sanford Reaves, Jr., Secretary

Attest:

Christopher G. Shipe, Chairman