

RAPPAHANNOCK ELECTRIC COOPERATIVE
BOARD OF DIRECTORS MEETING

MINUTES

WEDNESDAY, SEPTEMBER 21, 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, September 21, 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 team members joined the meeting for various presentations:

Managing Director – External Affairs, Brian Doherty
Managing Director – Safety, Physical Security, & Operational Support Services, John Crawford
Managing Director – Administrative Services, Tosh Bowe
Director – Accounting & Internal Controls, Rebecca Messerle
Director – Safety, Compliance & Security Services, John Medved
Director- Cyber & Information Security, Doug King

Chairman Shipe called the meeting to order at 11:23 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).

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 September 21, 2022 meeting.**

Introductions & Announcements

Chairman Shipe began the meeting by recognizing the general foreman and foreman from the Blue Ridge office who were responsible for the heroic restoration effort at Greenwood Church last month. The board thanked them for their safe, timely and resourceful restoration following an unusual weather event in an isolated area. Chairman Shipe then shared the resolution with these leaders and the board voted enthusiastically to adopt the resolution.

Exemplary Service Resolution

Resolution to Honor the Exemplary Service to REC Members of the Greenwood Substation on August 30, 2022

- WHEREAS,** the employees of Rappahannock Electric Cooperative stand prepared and ready to face challenges to the electric system, both manmade and natural; and
- WHEREAS,** weather patterns over the REC territory have caused a series of outage events throughout 2022; and
- WHEREAS,** during a summer storm on August 30, 2022, Rappahannock Electric Cooperative's system sustained catastrophic damage in the Blue Ridge district along Greenwood Road; and
- WHEREAS,** Rappahannock Electric Cooperative's dedicated employees, contractors, and mutual aid, worked to restore power in a record-setting safe, timely, and caring manner; and
- WHEREAS,** the membership of Rappahannock Electric Cooperative expressed their appreciation for the employees and their efforts; 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, 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 of REC at a meeting held on September 21, 2022, 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 September 2022.

Linda R. Gray
Secretary

Mr. Hewa then shared that REC had received matching funds for Project Big Heart from CoBank through their Sharing Success program. He noted that Shanna Phipps, Human Resources Benefits Specialist earned her CPSP designation for company sponsored retirement plans. He then shared with the board that REC has a Fellow from the Department of Energy for the next year, Elizabeth Jackson, who is joining the team this week. She will work on REC's efforts in preparation for and program in electric transportation. Mr. Hewa then shared with the board that he has been appointed to the board of the Virginia Economic Development Partnership. This is a three-year term beginning immediately. Mr. Lindsay then congratulated Mr. Hewa on his Virginia 500: Top 2022 Power List. Mr. Hewa closed announcements with a look ahead to October, where there will be a member open comment session, as well as former REC CEO Kent Farmer and wife Sharon will join the board for lunch. Lastly, in December the C.A.R.E. Charity board will join the REC board for a joint lunch.

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 August 10, 2022, regular Board**

meeting, the August 2022 Safety Report, the Wildfire Mitigation Plan, and the 2021 IRS Form 990.

CEO Update

Mr. Hewa then presented a CEO update focusing on rate impacts. He shared a chart of rate forecasts and where REC rates compare to other local utilities. He noted that this is a preview for the discussion later in the meeting on the streamlined rate case.

Unfinished Business

Board Policy Consideration

Chairman Shipe called for any edits or discussion on the Joint Use policy which was presented to the board in August. There being no edits, the **board voted to adopt the Joint Use Policy.**

247 Renovation Update

Mr. Andrews provided an update on the 247 building exterior renovation. The board praised the appearance and improvements to the building. Mr. Andrews informed the board of a reallocation of funds in the capital budget from masonry work to the new patio floor system. He noted that with the asphalt and painting complete, the exterior project is on schedule and will be complete soon.

Aging Infrastructure Study Final Report

Mr. Arp reviewed the final findings of the Aging Infrastructure Study conducted by an independent consultant with the board. Specifically, he reviewed the updated numbers relating to system aging with a keen focus on underground. This is the follow up to the presentation from August that included the final numbers based on REC's 'true aging' for underground. Mr. Arp thanked the board for their attentiveness to this topic and will next address it in the 2023 budget cycle.

Reports

HR Committee Report

Mr. Reaves provided the HR Committee report, highlighting the presentation from the committee meeting. He noted that staff had made their annual benefits presentation. After discussion, the **board voted to adopt the HR Committee report, enabling staff to proceed with 2023 budgeting.** Mr. Reaves then noted the committee's recommendation to adopt the Resolutions for the Restatement of the RS Pension Plan and the 401k Plan. After a short discussion, **the board voted to adopt the resolutions.**

Resolution # 2022-09-02

RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING the
AMENDMENT and RESTATEMENT of
THE RETIREMENT SECURITY and/or 401(K) PENSION PLAN
For *Rappahannock Electric Cooperative*
REA(s) 47054-001

WHEREAS, *Rappahannock Electric Cooperative*, is a participating employer in the:

- | | |
|-------------------------------------|-------------------------------|
| <input checked="" type="checkbox"/> | Retirement Security (RS) Plan |
| <input checked="" type="checkbox"/> | 401(k) Pension (401(k)) Plan |
- Plan(s): elect one or both, as applicable*

WHEREAS the Board of Directors of *Rappahannock Electric Cooperative* is aware that the Plan(s) must periodically be amended to comply with new or changed regulations, rulings, legislation and plan operations, and that this restatement will be effective July 1, 2022.

THEREFORE BE IT RESOLVED that this Board authorizes the July 1, 2022 amendment, restatement and continuance of the Plan(s) to conform in its (their) entirety with all the provisions of the governing plan document(s) of the Plan(s), through the execution of the Adoption Agreement(s), which includes all of the provisions of the Cooperative's most recently executed Adoption Agreement(s) and any compliance clarifications needed to conform with plan operations; and

BE IT FURTHER RESOLVED, in the event that the timing of the restatement does not correspond with regularly scheduled meetings of the Board of Directors, the Board does hereby authorize and direct the

cooperative's (or the participating employer's) authorized representative to execute all necessary documents and to take any and all further actions necessary to carry out the July 1, 2022 amendment and restatement of the Plan(s); and, NRECA is fully authorized to rely on this designation in processing the restatement of the Plan(s).

SIGNATURE OF THE SECRETARY: I, *Linda R. Gray*, certify that I am the Secretary of the *Rappahannock Electric Cooperatives* Board of Directors. I further certify that the above is a true excerpt from the minutes of a board meeting of this Board of Directors on the *21st* day of *September*, 2022, at which a quorum was present and that the above portion of the minutes has not been modified or rescinded.

Signature of the Secretary

Date

Mr. Reaves then asked Chairman Shipe for a more focused reporting on the Cooperative's efforts in Diversity, Equity, & Inclusion (DEI). After discussion, Mr. Hewa offered for staff to compile an annual report, to be presented each January, which will highlight the Cooperative's achievements, and provide a current snapshot of member and employee demographics, as well as preview focus areas for the coming year. Mr. Hewa noted that the format of the report will also aid the Cooperative in many of its grant applications.

July 2022 Operating Report

Chairman Shipe asked for any questions on the July 2022 Operating Report and in the interest of time, Mr. Andrews did not present the report in its entirety. There being no questions, the **board voted to accept the July 2022 Operating Report.**

Report of the President

Mr. Hewa provided an update on Cooperative business over the past month, including several commercial and industrial potential clients. He shared with the board that both Tom Reed, and Donna Douglas, longtime C.A.R.E. Charity board leaders are retiring from the board in March at the end of their terms. The board will consider candidates over the coming month and discuss them at the October meeting. Mr. Hewa stated that REC has successfully renewed its annual cyber insurance policy. REC is also complying with a statewide ARPA funds utility audit. He noted that all districts have completed Safety Days over the last two weeks and the events went very well. Employees who don't normally interact hands on were able to do so, and the entirety of the team benefits from these safety focused demonstrations and presentations. Lastly, Mr. Hewa shared that he will be hosting REC One, all employee meetings, on focused topics over the coming months, to include electric transportation, and the budget for 2023.

Attorney's Report & Executive Session

The Board voted to enter executive session for the attorney's report and executive session items at 2:10 p.m. and after proper motion, voted to exit executive session at 3:27 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 confidentiality requirements.

No action was taken during executive session.

New Business

Depreciation Study

Tosh Bowe, Managing Director – Administrative Services, and Rebecca Messerle, Director – Accounting & Internal Controls, joined the meeting to present the findings of the Depreciation Study. They noted that REC completed its last study in 2017 and RUS guidelines mandate it be updated every 5 years. For this study, REC made an adjustment to a composite rate of 3.80%.

Depreciation Study Resolution

Resolution to Approve Depreciation Study and Authorize Implementation of Depreciation Rates with Next Rate Case

WHEREAS, Rappahannock Electric Cooperative (REC) contracted with Jackson Thornton Certified Public Accountants and Consultants, to conduct in 2022 a depreciation study (2022 Study) of REC's plant in service (fixed assets); and

WHEREAS, the 2022 Study indicates that REC's depreciation rates should be adjusted to better recover the costs impacted by the average service lives and salvage values of REC's assets; and such adjustment would, based upon plant in service as of December 31, 2021, decrease REC's annual depreciation expense by approximately \$1,856,975; and

WHEREAS, Rural Utilities Service (RUS) and the Virginia State Corporate Commission (SCC) approval are required to implement the depreciation rates recommended in the 2022 Study; and

WHEREAS, REC will file the 2022 concurrently with its next rate application and seek SCC approval to implement the recommended depreciation rates concurrently with implementation of new retail rates that are designed to meet REC's revenue requirement that includes the additional depreciation costs; and

NOW, THEREFORE, BE IT RESOLVED the Board of Directors of Rappahannock Electric Cooperative do hereby approve the use of the depreciation rates recommended in the 2022 Study; and

BE IT FURTHER RESOLVED the Board of Directors of Rappahannock Electric Cooperative hereby authorizes and directs the President and CEO of the Cooperative to obtain RUS approval of the findings of the 2022 Study and to incorporate said study as part of the 2022 rate application, including without limitation as part of all testimony and evidence in support thereof.

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 September 21, 2022, 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 September 2022.

Linda R. Gray
Secretary

2022 Streamlined Rate Application- Board Briefing of Key Elements of REC Rate Application

Brian Doherty, Managing Director – External Affairs, and Jenny Sebastian, Director – Regulatory Affairs, joined the meeting to present the key elements of the streamlined rate case to be filed with the Commission for January 2023 implementation. The presentation detailed REC's long term rate case strategy and development of the current filing. It also covered the streamlined rate application rules & top-line rate application details. Ms. Sebastian and Mr. Doherty reviewed the development of jurisdictional revenue requirement and also provided details on class revenue targets. Finally, they shared a bill impact analysis with the board. Mr. Doherty closed the presentation with a refresher to the board on REC's Line Extension Policy request. In addition to the presentation, the board received a very detailed document for their review. Following the presentation and discussion, **the board voted to adopt the Revised Terms and Conditions of Service Resolution.**

Revised Terms and Conditions of Service Resolution

Resolution to Approve and Adopt Revised Terms and Conditions of Service

WHEREAS, the Board of Directors of Rappahannock Electric Cooperative was briefed by staff at the April 21, 2021 and September 21, 2022 Board meetings regarding the analysis of several options to modify the Cooperative's line extension policy as described in its Terms and Conditions in Article VI. Extension of Facilities, and

WHEREAS, the Board of Directors of Rappahannock Electric Cooperative at its September 21, 2022, meeting concurred with staff's recommendation that the Cooperative's line extension policy be modified so that the capital allowance toward the cost of new service line extensions be \$2,500 for individual residential units and with other modifications as further detailed in the presentation to the Board of Directors of Rappahannock Electric Cooperative, and

WHEREAS, in accordance with the Board's authority, pursuant to Virginia Code § 56-585.3.A.3., 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 make adjustments to its member terms and conditions that do not affect the cooperative's distribution or supply of electric energy revenues, and that thereafter the cooperative will promptly file any such amended terms and conditions 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 Amendments to Article VI – Extension of Facilities of the Cooperative's Terms and Conditions as attached hereto as Attachment 1 which codifies the Board's decision to implement a new line extension policy.

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 September 21, 2022, 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 September 2022.

Linda R. Gray
Secretary

October Member Communications Review

The board received a preview of the October member communications.

Chairman Shipe called for any further business. Ms. Watts reminded the board of the workshop on REC's work related to electric transportation to be held on November 1, 2022.

There being no further business, **the Board voted to adjourn at 4:34 p.m.**

Linda R. Gray, Secretary

Attest:

Christopher G. Shipe, Chairman