

RAPPAHANNOCK ELECTRIC COOPERATIVE
BOARD OF DIRECTORS MEETING

MINUTES

WEDNESDAY, JUNE 23, 2021

The regular meeting of the Board of Directors of Rappahannock Electric Cooperative ("REC") was held at the Culpeper office, located at 13252 Cedar Run Church Rd, in Culpeper, VA 22701, with video conference capability, on Wednesday, June 23, 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, Sanford Reaves, Jr., Christopher G. Shipe, and Randy Thomas. Attending via video conference were 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 - Corporate Services, Lawrence (Larry) G. Andrews
Vice President - Strategy & Technology, Peter Muhoro
Vice President - Engineering, Operations & Power Supply, John Arp
Assistant Secretary & Executive Assistant, Whitney S. Watts
General Counsel, Charles W. Payne, Jr.

The following team members joined the meeting via video conference for various presentations:

Managing Director – Communications & Public Relations, Casey Hollins
Managing Director – Information Technology & Cybersecurity, Marc Seay
Director of Broadband & Fiber Services, Marc Ponton

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 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).

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 June 23, 2021 meeting.**

Introductions & Announcements

Mr. Hewa enthusiastically welcomed the board back to an in person meeting, and shared his gratitude for the work of the board conducted remotely since March 2020. Mr. Shipe congratulated Mr. Hewa on his first in person board meeting as CEO of REC. Mr. Shipe then presented Sanford Reaves, Jr. his Board Leadership Certificate, which he earned from NRECA. Mr. Hewa updated the board that Brian Doherty and Lindsey Watson will both be joining the External Affairs Department as Managing Director, and Director, respectively. Mr. Hewa congratulated Director of Economic Development, Felicia Ainsa, on her recent MBA. Mr. Hewa then highlighted several upcoming speaking engagements that the strategic team will be participating in. He then shared a 35 year service anniversary for John Crawford, Managing Director-Safety, Physical Security, and Operational Support Services. Lastly, he shared with the board the upcoming retirements of Mary Malone, Departmental Assistant and Rhonda Baldwin, Administrative Assistant to Executive Management. Both Mary and Rhonda have supported the board in various capacities over many year and the board thanked them for their service. John closed by sharing statistics on how many retirements and new employees have onboarded since the start of the pandemic. Mr. Hewa and the board shared their thanks and appreciation to

Human Resources for their efforts.

CEO Update

Mr. Hewa then gave a CEO update. His presentation focused on the leadership plan that management has been presenting and implementing over the past several months. Mr. Hewa reviewed both the internal and external focus areas of the plan. He noted that internally, taking care of employees, strengthening REC's systems, and preparing for the future are key focus areas. Externally, the focus is on delivering on REC's core business, engaging and facilitating in the community, modeling co-op innovation and strength, and expanding programs and services. Mr. Hewa shared examples of each area, and closed by answering questions from the board.

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 May 19, 2021, regular Board meeting, the May 2021 Safety Report, and the May 2021 Operating Report. There being no modifications to the consent agenda, the board **voted to approve the consent agenda as presented.**

Unfinished Business

Moratorium Status

Mr. Hewa asked Mr. Koogler to provide an update on the Disconnect for Non Payment moratorium. Mr. Koogler shared that when the State of Emergency ends on June 30, that REC will join other Virginia Cooperatives in a return to normal process. It is anticipated that no disconnects will occur until August or later. REC will work with any member who is behind on their electric account with flexible arrangements up to 24 months. Mr. Koogler also indicated that when the General Assembly meets in August for a special session that it is possible that REC would receive additional dollars to help offset arrears. As of June 1, REC has more than 17,000 accounts in arrears. Mr. Koogler reviewed the process by which member services will exhaust all efforts to contact the member prior to any disconnections.

Review Transition to Normal Payment and Collection Processes Policy

Based on the conversation and status of the disconnect moratorium, the board reviewed its policy on transition to normal payment and collection processes. They reviewed addendum #2 to the policy. There being no modifications to the policy, the board **voted to approve addendum #2 as presented.**

ADDENDUM #2

Policy Adopted: October 21, 2020

Addendum #2 Date: June 23, 2021

1. The statutory moratorium prohibiting electric, gas and water utilities in the Commonwealth of Virginia from disconnecting service to customers for non-payment will end on August 29, 2021.
2. REC will resume normal payment and collection processes in September 2021, following the principles and procedures outlined in this Policy originally adopted on Oct 21, 2020, as well as following the guidance provided by the Virginia General Assembly, as outlined in Addendum #1 to this Policy adopted on February 17, 2021. The overarching focus of all of these provisions is that REC will do all it can to assist members whose ability to pay their bill was affected by the pandemic so they can establish a workable long term payment arrangement and avoid disconnection, while protecting the interests of the entire Cooperative membership.

3. The end of the disconnect moratorium is established by actions of the Executive and Legislative branches of the Virginia state government, as follows:
 - a. The Commonwealth of Virginia has been under a State of Emergency Due to Novel Coronavirus (COVID-19) since March 12, 2020, when the Governor issued Executive Order Number Fifty – One, a relevant excerpt is as follows:
“Therefore, on this date, March 12, 2020, I declare that a state of emergency exists in the Commonwealth of Virginia to continue to prepare and coordinate our response to the potential spread of COVID-19, a communicable disease of public health threat. The anticipated effects of COVID-19 constitute a disaster as described in § 44-146.16 of the Code of Virginia (Code). By virtue of the authority vested in me by Article V, Section 7 of the Constitution of Virginia, by §§ 44-146.17 and 44-75.1 of the Code, as Governor and Director of Emergency Management and Commander-in-Chief of the Commonwealth’s armed forces, I proclaim a state of emergency. Accordingly, I direct state and local governments to render appropriate assistance to prepare for this event, to alleviate any conditions resulting from the situation, and to implement recovery and mitigation operations and activities so as to return impacted areas to pre-event conditions as much as possible. Emergency services shall be conducted in accordance with § 44-146.13 et seq. of the Code.”
 - b. Through additional Executive Orders, the Governor extended the COVID-19 related State of Emergency several times, including the most recent such Executive Order that extended the State of Emergency until June 30, 2021. The Governor’s office released information to the public on Thursday, June 10, indicating that the COVID-19 related State of Emergency will end on June 30, 2021, as a result of improving health conditions in the Commonwealth.
 - c. The 2020 Special Session of the Virginia General Assembly passed Budget Bill - HB5005 that includes the following statutory language which stipulates the prohibition against electric, gas and water utilities disconnecting service of residential customers for nonpayment of bills or fees (often referred to as the disconnect moratorium) will end 60 days after the declared pandemic-related State of Emergency ends:
“Notwithstanding any other provision of law, upon the declaration by the Governor of a state of emergency pursuant to § 44-146.17, Code of Virginia, in response to a communicable disease of public health threat as defined in § 44-146.16, Code of Virginia, electric companies subject to regulation of the State Corporation Commission (“Commission”), natural gas suppliers subject to the regulation of the Commission, electric and gas municipal utilities, and water suppliers and wastewater service providers, subject to the regulation of Commission or constituting a municipal utility (“utilities”) are prohibited from disconnecting service to residential customers for non-payment of bills or fees until the Governor determines that the economic and public health conditions have improved such that the prohibition does not need to be in place, or until at least 60 days after such declared state of emergency ends, whichever is sooner (emphasis added).”

Reports

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 included an update on REC’s workforce and pandemic operations, noting that the lobbies in the regional offices have reopened. They are operating under the new LobbyAssist model that was presented to the board this spring. Other employees who have been working remotely are scheduled to return on a rotational basis in July. Those who work in the

headquarters building in Fredericksburg will continue to work remotely until the construction work is complete this fall.

Mr. Hewa then provided a number of updates related to corporate services. These included a new HR information system status, Diversity, Equity, & Inclusion (DEI) training update, rollout of an organizational leadership meeting rotation plan, and update on the building 247 refresh, which included renderings of the boardroom. He also informed the board that REC has received forgiveness of the PPP loan from 2020.

He gave an update on the director election process, noting that all was in place and on schedule. The election cycle will begin on July 1. Members may participate in the election as they did last year, via mail, email, or website link. The virtual annual meeting will be recorded from the Fredericksburg Expo Center on August 11.

New Business

On Bill Tariff Stakeholder Process Update

Mr. Hewa called on Mr. Muhoro for an update on the on bill tariff program. Mr. Muhoro reviewed the program development to date. There are three stakeholder meetings in total. The first was held on May 21. It was well attended and had high engagement. The upcoming sessions on June 30 and August 26 will address further program details as well as answer questions from the first session. The presentation shared how the stakeholder sessions are being shared with the membership. The board was invited to attend future meetings.

Regional Broadband Collaborations

Mr. Hewa asked Mr. Muhoro to provide an update on regional broadband efforts. Mr. Seay and Mr. Ponton joined the meeting. The team presented an update on the status of the Fiber Utility Network project. They emphasized that the turn key contract for this project has helped to speed up the work and estimated completion date. They specifically noted that the permit to cross I-95 has been submitted to VDOT. They then provided an update on the many partnerships currently under various stages of development, including counties, internet service providers, and regional entities. They concluded the presentation with information on additional funding sources coming available in the near future. The board thanked Mr. Seay and Mr. Ponton and they left the meeting.

Outage Restoration Time & Outage Map Initiative

Casey Hollins, Managing Director- Communications and Public Relations joined the meeting to present the outage restoration time and outage map initiative. Ms. Hollins shared the framework of the project and end goal that the member will experience. Ms. Hollins presentation gave visual examples of how the member will interact with the new outage map, as well as the employee experience. Ms. Hollins noted that the new outage map is scheduled to go live in fall 2021. Mr. Hewa and Ms. Hollins answered the board's questions. The board shared their excitement for this new tool that will assist members with additional information when they need it most. The board thanked Ms. Hollins and she left the meeting.

Terms & Conditions revision

The board previously voted to freeze the auto adjustment of the line extension allowance. The revised terms and conditions were presented. Hearing no edits, the **board voted to pass the resolution on 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 February 17, 2021 and April 21, 2021 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 April 21, 2021, 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 frozen based on distribution rates effective December 31, 2020, until such time as staff can make a recommendation to the Board regarding the most appropriate strategy for, and design of, the Cooperative's line extension policy for the future, 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 freeze the capital allowance based on distribution rates effective December 31, 2020, until such time as further revisions to the Cooperatives line extension policy can be finalized and approved by the Board.

Certificate of Secretary

I, Whitney S. Watts, Assistant Secretary of the Board of Directors of Rappahannock Electric Cooperative, do hereby certify that the above is true and correct copy of a resolution adopted by the Board at a meeting held on June 23, 2021

This 23rd day of June 2021.

Whitney S. Watts
Assistant Secretary

Fleet Update-2022 Pre-Budget Request

Mr. Hewa then called on Mr. Arp for a 2022 fleet update. Based on current supply chain issues that are impacting various industries globally, Mr. Arp presented the board with a pre-budget request. Mr. Arp explained that the pre-pandemic lead time for fleet vehicles was lengthy and now it is even further delayed. He explained that the current shortage of computer chips used by Ford Motor Co. for many of the fleet vehicles REC uses has created a need for REC to place its normal order sooner than usual. The request is for pre-approval for a portion of Fleet's total 2022 budget. It represents only the portion of the 2022 budget specific to Ford vehicles and their outfitting. It will allow for creation of purchase orders that hold REC's position in the manufacturing queue. It does not increase the budgetary request for vehicle replacements, and does not represent a 2021 capital spend. The board then **voted to pre-approve the suggested budgetary request for \$1.8M.**

Loan Package Application

Mr. Hewa then called on Mr. Andrews to present the Federal Financing Bank (FFB) loan application. REC will be submitting an application for \$175M. **The board voted to pass a resolution in support of the loan package.**

Resolution Requesting Guaranteed Federal Financing Bank (FFB) Loan

Resolution Requesting Guaranteed Federal Financing Bank (FFB) Loan

WHEREAS, it has been determined on the basis of current Construction Work Plan that financing is needed for electric facilities as shown on RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, as follows:

RUS Guaranteed Federal Financing Bank (FFB) Loan Requested for Facilities \$175,000,000

NOW, THEREFORE BE IT RESOLVED, that Rappahannock Electric Cooperative makes application to the Rural Utilities Service pursuant to 7 CFR Part 1710 for a guaranteed FFB loan in the approximate amount of \$175,000,000 to be used in accordance with the provisions of 7 CFR Part 1710 to finance the above mentioned facilities; and

BE IT ALSO RESOLVED, that the RUS guaranteed FFB loan shall bear a maturity date to cover an approximate period of 35 years; and

BE IT ALSO RESOLVED, that the Board of Directors of Rappahannock Electric Cooperative authorizes its officers to execute and attest all necessary papers, documents, and applications related to the foregoing; and

BE IT FURTHER RESOLVED, that the President and CEO is authorized on behalf of the Borrower (a) to execute and deliver from time to time advance request, 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 selection option as provided in such instruments; and

BE IT FURTHER RESOLVED, that Rappahannock Electric Cooperative hereby authorizes the RUS to release appropriate information and data relating to the application to the FFB and any existing supplemental lenders.

Certificate of Secretary

I, J. Mark Wood, 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 June 23, 2021, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 23rd day of June, 2021.

J. Mark Wood
Secretary

Attorney's Report

The Board voted to enter executive session for the attorney's report and executive session items at 3:00 p.m. and after proper motion, voted to exit executive session at 4:32 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 three current policies for their amended consideration, Capital Credits, Loan Funds Expenditure, and Bonds & Insurance Policies. The Board reviewed the policies, and will further consider the adoption at the August 2021 board meeting.

July Member Communications Review

The board received a preview of the July member communications.

Chairman Shipe called for any further business.

There being no further business, **the Board voted to adjourn at 5:02 p.m.**

J. Mark Wood, Secretary

Attest:

Christopher G. Shipe, Chairman