

The Board of Directors met on January 30, 2020 at the Rockingham Office Complex near Mt. Crawford, Virginia. The beginning of the meeting was delayed until 7:25 p.m. due to a lengthy committee meeting held immediately prior to the Board meeting. All directors were present during the meeting. CEO Hastings and Attorney Davenport were present, and other senior managers attended the first part of the meeting to present their reports. Materials described below had been distributed to members several days before the meeting except as noted.

Board Chair Howdyshell gave the invocation and led those in attendance in the Pledge of Allegiance.

The minutes of the December 19, 2019 regular Board meeting were approved as distributed to Board members.

Mr. Howdyshell welcomed consultant Ian Fulk for an update on the current strategic plan. Ms. Michael provided the current status on the Cooperative's continued efforts regarding safety. Mr. Beamon discussed the future financial model and Mr. Rogers described progress on implanting a backbone fiber system and distributed energy resources. Mr. Aulgur gave an update on rates. Mr. Fulk noted that Mr. Hannah's IT department expects to have a new directors' device dashboard in place for use by the time of the next quarterly review of the strategic plan.

CEO Hastings gave the first portion of his report.

Mr. Beamon presented his final financial reports, in light of his resignation in order to become an officer at Delaware Electric Cooperative a few days hence. He reviewed certain aspects of the Cooperative's power cost. Mr. Beamon said that for December, the Cooperative was under budget on expenses, which produced strong operating margins. Year to date, revenue has exceeded the budgeted level, and operations, maintenance and depreciation are all below budget, producing operating margins about \$1.5 million over budget. He reviewed the year to date revenue compared to demand for key accounts, and the liquidity/funding strategy status. Mr. Beamon compared the balance sheets of December, 2015 to December, 2019 and answered questions of Board members. He discussed the major metrics for a credit rating. Finally, he reported that New York Life Insurance Company indicated that it will make a secured loan to the Cooperative in the \$50 million range at an interest rate lower than CFC had projected.

At Mr. Beamon's recommendation, and after a discussion among Staff and Board members, the following resolution was adopted:

WHEREAS, the Cooperative incurred unexpected systemwide storm expenses during 2019, and

WHEREAS, the Cooperative would like to defer those expenses, for rate-making purposes, from 2019 to 2020-2025 to help offset operating expenses, and

WHEREAS, the total amount to be deferred is \$840,775.07, and

WHEREAS, such expenses will be recognized equitably from 2020-2025, and

WHEREAS, the Cooperative operates as a tax-exempt organization under section 501(c)(12) of the Internal Revenue Code, and the board of directors of Shenandoah Valley Electric Cooperative is aware of the potential tax implications of a deferred expense plan regarding its tax-exempt and cooperative status, and

WHEREAS, the plan is based on and in accordance with the provisions of Financial Accounting Standards Board Statement, Accounting Standards Codification, Topic 105, Generally Accepted Accounting Principles, which allow current period revenues to be deferred and recognized in subsequent periods, and

WHEREAS, the Virginia State Corporation Commission has advised that Shenandoah Valley Electric Cooperative does not need approval to establish this deferred expense plan,

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of Shenandoah Valley Electric Cooperative hereby approves the revenue deferral plan.

The Board adopted routine resolutions assigning certain duties to Ms. Brown in light of Mr. Beamon's departure.

Ms. Marchant and CEO Hastings presented the monthly ODEC report. They provided an update on the Wildcat Point generation plant construction litigation and the actions of one member to shop for power with a competitive service provider. They noted that ODEC has now filed its economic development rate at FERC, and that SVEC will file an intervenor action if necessary due to positions taken by other intervenors.

Attorney Davenport presented certain recommended amendments to the Bylaws, consistent with the revised nominations and election process, as follows:

ARTICLE IV
Board of Directors

Section 4. Nominations.

. . . .

The Secretary shall be responsible for mailing with the notice of the annual meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of Board members to be elected, the names and addresses of the candidates nominated by the Nominating Committee and by petition as provided below, and the office for which each candidate has been nominated. Subject to the limit on the number of candidates set forth below, any Member meeting the residency requirements of Section 2 and the eligibility requirements of Section 3 of this Article, supported by fifty (50) or more Members acting together may make other nominations by petition, which shall be submitted by mail or by hand delivery to the Secretary, or his or her designee, at the headquarters of the Cooperative no later than 4:00 p.m., prevailing Eastern time, on March 15th, or if such day is a Saturday, Sunday, or legal holiday, then no later than the same time on the next day that is not a Saturday, Sunday, or legal holiday. A nominating petition shall specifically designate a single Board seat for which a nomination is made and shall contain a certificate stating that the petitioner agrees to abide by any policy of the Board with respect to fair campaign practices. The Nominating Committee shall determine if a nominating petition contains the requisite number of signatures of members in good standing at the time the petition is submitted to the Secretary, and in doing so may rely upon information from the President and Chief Executive Officer or his or her designee. The Nominating Committee shall then determine whether the petitioner is eligible to serve as a Director of the Cooperative under the provisions of these Bylaws and if so, then he or she shall be included as a candidate on the ballot; provided, however, if the total number of eligible petitioners for any office exceeds three, then the Nominating Committee shall

determine in its discretion the three petitioners best qualified to serve as a Director and the remaining petitioners shall not be candidates.

. . . .

Those amendments to the Bylaws were approved by unanimous vote of the Directors.

Attorney Davenport recommended the following amendment to a Board policy, in order to remove an obsolete reference left over from the version in effect prior to the 2019 comprehensive policy review:

Director Compensation and Reimbursement Policy

RESPONSIBILITY: Vice President of Corporate Services and Human Resources
SUBJECT: Compensation of Directors and Reimbursement for Expenses
OBJECTIVE: To ensure reasonable, adequate remuneration to Directors for their services to the Cooperative, sufficient to attract and retain competent Directors but recognizing that service on the Board of Directors is to some extent a matter of public service

Per Diem Payment

A Board member shall be paid the following amounts for each calendar day in which a portion is spent attending the meetings or events noted:

- Regular and Special Board meetings - \$550.00 for a Director; \$750.00 for the Chair.
- Regular and Special Board meetings attended by telephonic connection - \$200.00 for a Director; \$200.00 for the Chair.
- Committee meetings - \$550.00 for a Director who is a Committee member, except that all Directors shall be compensated in the same amount if they attend a meeting of the Finance Committee or the Compensation and Benefits Committee. \$750.00 for Board Chair.
- Attendance at a Director certification or recertification training class - \$200.00.
- If more than a single Board or Committee meeting occurs on the same day, the per diem payment is limited to a single per diem amount.
- Annual NRECA meeting, NRECA regional meeting, VMDAEC annual meeting, VMDAEC Legislative Quarterly meeting, CoBank and CFC educational meeting, and the CFC Forum - a flat fee of \$55.00 per day. A day or portion thereof spent traveling to or from such a meeting shall be deemed an attendance day for the purpose of determining this payment. This flat rate fee amount shall be reviewed annually by the Compensation and Benefits Committee which shall recommend adjustments to the flat rate for the Board's consideration.

Retainer Payment

- A Board member shall be paid \$750.00 per calendar month in which the Director serves.

Director Expenses

- A Director shall be paid for travel using his or her personal vehicle at the prevailing Internal Revenue Service rate. Mileage payments shall be limited to the most direct route to Board and Committee meetings and to return to the Director's residence.

- If a Director chooses to drive a personal vehicle to an NRECA, VMDAEC or lender meeting or forum, the Director will be paid the average cost of a coach airline ticket for that event.
- The Cooperative will pay directly or reimburse a Director for lodging, meals, and other reasonable and necessary expenses of the Director incurred in the performance of their duties.
- The Cooperative will not pay directly or reimburse a Director for alcoholic beverages.
- If a Director is unable to attend a meeting for which reservations and travel expenses have been paid, the expenses for the Director will be paid by the Cooperative.

Damage to Personal Vehicle

- A Director shall furnish to the President & CEO a certificate of insurance indicating liability and property insurance on each personal vehicle used by the Director for travel to Cooperative meetings and other Cooperative activity.
- The Cooperative shall reimburse a Director for any physical damage incurred to the Director's vehicle when on Cooperative business that is not covered by the vehicle owner's insurance, subject to the following limitations:
 - The vehicle owner's personal physical damage insurance coverage shall be first applied.
 - In the event the vehicle owner does not carry a physical damage policy on his or her vehicle, the individual will be required to furnish the Cooperative with two cost estimates for repairs.
 - The Cooperative shall reimburse the Director the lesser of the deductible amount of the vehicle owner's personal physical damage policy or \$250.00.

A motion was passed to appoint Shannon N. Brown as Assistant Secretary-Treasurer in the place of Thomas Beamon.

Mr. Hannah demonstrated a new software program to better organize documents on electronic devices used by Board members.

Ms. Slaven provided the Virginia legislative session update.

After a short recess the Board reconvened in executive session.

Board Chair Howdyshell provided additional insights into the ongoing Commonwealth legislative session and reported on VMDAEC developments.

Compensation and Benefits Committee Chair Burkholder presented his Committee's report regarding a personnel matter, which was approved by the Board.

CEO Hastings presented the balance of his monthly CEO report, noting that Board Chair Howdyshell recently received an NRECA Gold Certificate for Board member training.

CEO Hastings provide the monthly safety report.

CEO Hastings left the meeting for the consideration of other business.

There being no further business, the meeting was adjourned at 10:13 p.m.