

83rd ANNUAL MEETING
Of Members of Shenandoah Valley Electric Cooperative -- Thursday, June 13, 2019

OPENING

Shenandoah Valley Electric Cooperative held its 83rd Annual Membership Meeting on Thursday, June 13, 2019 at the James Madison University Convocation Center in Harrisonburg, Virginia. Following a pork barbecue meal, the preliminary announcements began at 6:45 p.m.

J. Michael Aulgur, Vice President of Member Services, welcomed members to the meeting. Mr. Aulgur then took the opportunity to thank the employees assisting, the Walnut Ridge Boys for their entertainment, the Bridgewater Rescue Squad, JMU Police Department, Rockingham County Sheriff's Office, the Rockingham County Fire & Rescue for the presentation of colors, the Shenandoah Valley Children's Choir, and also the Dayton Ruritan Club for its assistance in parking. Mr. Aulgur announced that William K. and Julia Menges, of Maurertown, VA won a \$200 credit for electric service for being one of the first members to return a proxy. Mr. Aulgur then asked Wayne Hannah, VP of Information Technology, to come to the podium and offer the invocation. Following the invocation, Mr. Aulgur asked everyone to please stand and recite the Pledge of Allegiance.

**WELCOME AND
CALL TO ORDER**

Board Chair Fred Garber called the meeting to order at 7:00 p.m. and welcomed everyone to SVEC's 83rd Annual Meeting. Before he began, Board Chair Garber thanked and recognized those individuals who were instrumental in putting this program together.

**DETERMINATION
OF QUORUM AND
NOTICE OF
MEETING**

Board Chair Fred Garber asked Secretary/Treasurer Suzanne Obenshain to verify the meeting's quorum. In determining a quorum, Mrs. Obenshain stated that the total Cooperative membership as of May 16, 2019 was 77,996 members. Article III, Section 4 of the Cooperative's bylaws states that two and one-half percent (2-1/2%) of the total number of members present in person or represented by proxy shall constitute a quorum for the Annual Membership Meeting. This two and one-half percent (2-1/2%) of the membership at the time of the official mailing means 1,950 members need to be present or represented by proxy. As of 6:30 p.m. this evening, the number of members registered was 594 and the total members represented by proxy were 2,727 for a total of 3,321 and thus a quorum exists.

Director Obenshain also reported that on May 16, 2019 the Cooperative placed 77,996 special edition newsletters in the mail. This edition contained the official notice of the 2019 Annual Membership meeting as required by Section 3 of Article III of the Cooperative's bylaws.

The Cooperative has in its possession a certification statement from the Harrisonburg, Virginia, Post Office specifying that this official notice was mailed on the indicated day to the membership of record.

**READING OF
FULL NOTICE OF
MEETING**

Board Chair Garber called for the reading of the full notice of the meeting as contained in the special edition newsletter, or a motion to dispense with the reading. A motion was made, properly seconded and passed, to dispense with the reading of the full notice of the 2019 Annual Meeting.

**READING OF 2018
MEETING
MINUTES**

The Board Chair called for the reading of the minutes of the 2018 Annual Meeting, a copy of which each member received as they registered, or a motion to dispense with the reading of, and approve the minutes. A motion was made, properly seconded, and passed to dispense with the reading of the minutes of the 2018 Annual Meeting and to accept them.

**INTRODUCTION
OF BOARD OF
DIRECTORS**

Board Chair Garber introduced his fellow members of SVEC's Board of Directors by jurisdiction. (Mr. Charles Huffman, Director Emeritus, and Mr. Larry Howdyshell from Augusta/Highland counties; Mr. Todd VanHorn from Frederick/Clarke counties; Mr. Brian Plum from Page County; Mr. Brent Arbogast, Mr. Steve Burkholder and Ms. Suzanne Obenshain from Rockingham County; Mr. David Ferguson from Shenandoah/Page/Warren counties; Mr. Bill Orndoff from Clarke/Frederick/City of Winchester; Ms. Robbie Marchant from the City of Winchester, and himself from Shenandoah/Warren counties). He said that he was proud to serve as the members' director, and to be associated with the honorable group of fellow Directors.

**REPORT OF
NOMINATING
COMMITTEE**

Board Chair Garber asked Mr. Bill Fisher, Chair of the 2019 Nominating Committee, to come forward to present the slate of nominees. Before giving the report, Mr. Fisher introduced the other members of the 2019 Nominating Committee. Mr. Bill Fisher then asked the nominees to stand before the membership as they were introduced.

Frederick/Clarke counties & City of Winchester:	Bill Orndoff Thomas Stamulis
Page/Shenandoah/Warren counties:	David Ferguson Jerry Dofflemyer
Shenandoah/Warren counties:	Conrad Helsley
City of Winchester:	Robbie Marchant

**ELECTION
PROCESS**

Attorney Dale Davenport explained the election process, and instructed the members to vote for one candidate from the two nominees from Frederick/Clarke counties & City of Winchester; one candidate from the two nominees from Page/Shenandoah/Warren counties; one candidate from Shenandoah/Warren counties; and one candidate from the City of Winchester. Ballots would be counted by the tellers, three of whom were selected from the attending membership prior to the meeting and aided by individuals from the accounting firm of PB Mares LLC of Harrisonburg. Attorney Davenport introduced the member tellers, the elected head member teller, Bill Fleming of Shenandoah County, and four tellers from the accounting firm of PB Mares LLC. He asked the tellers to stand before the stage. Attorney Davenport gave final instructions to the members regarding exchange of the 3x5 yellow transfer cards for a ballot, collection of ballots, and the procedure to be followed in the event of a tie with the use of the white index card in the registration packet. The voting process was conducted. Ballots were collected and taken by the tellers for tabulation.

**INTRODUCTION
OF SENIOR STAFF
AND GUESTS**

Michael Hastings, President and CEO of SVEC, introduced the Senior Staff of the Cooperative and the special guests attending the meeting.

**REPORT OF THE
PRESIDENT &
CEO**

President and CEO, Michael Hastings, welcomed everyone to the annual meeting and invited all veterans of the U.S. Armed Forces to stand and be recognized for their service. He thanked everyone for taking time out of their busy schedules to attend this meeting.

Mr. Hastings explained that this year the great milestone of 2 million hours worked without a lost time accident was achieved. He described that this accomplishment is only reached by working together as a team and making sure that every employee is prepared for every day, and every situation that they may encounter. All Cooperative team members also receive monthly training that equips them with the skills they need to be able to achieve the ultimate goal of returning home safely to their family members at the end of each day.

Mr. Hastings said that the Cooperative’s goal is to provide dependable electricity to families, farms and businesses. In 2018, the average outage hours per member-owner was 3.26 and SVEC is continuing to work to improve this number by maintaining and enhancing infrastructure throughout the distribution system. This year’s projects included new substations in Strasburg and Dayton, improvements in Page County, Stuarts Draft and Gore. He also explained that the Cooperative continues to work diligently and is making plans toward development of a community solar project for the service area.

Mr. Hastings said that cooperation among cooperatives is one of the seven beneficial cooperative principles that SVEC follows. When a sister cooperative needs help, we step in and help. In turn, they will reciprocate and help SVEC when we need them. He explained that there were two instances of this in 2018 and Vice President of Engineering, Greg Rogers, will share more about these instances in his report.

It was explained by Mr. Hastings that SVEC achieved a good financial position in 2018, and since 2014, has been able to hold the line on rate changes. Another beneficial principle that SVEC follows is member economic participation, which was demonstrated through our return of capital credits. Mr. Hastings said that last year, almost \$6 million was returned to member-owners. The Cooperative also took advantage of the opportunity to save money by purchasing a 25-megawatt block of energy from a third-party supplier that resulted in a \$2 million savings and SVEC is anticipating this arrangement will continue in the future.

Turning to member services, Mr. Hastings said that in 2018, Member Service Representatives answered over 100,000 calls, at an average speed of 67 seconds. He explained that the Cooperative’s goal is to continue to

ensure that there are always open, clear lines of communication. SVEC will always work to offer the most thorough answers to member's bill inquiries, the best tips for how to save money and energy around homes and businesses, and address outage calls in the most efficient way possible.

Mr. Hastings described how best serving our member-owners extends beyond just staff working in the offices and on the lines, SVEC is also working to consistently practice our cooperative principle of concern for our community. In 2018, the Operation Round Up program bestowed 23 grants to help non-profit organizations in the service area. These grants amounted to more than \$24,000 and Mr. Hastings thanked the generous member-owners for their participation in the program and encouraged others to get involved.

Finally, Mr. Hastings extended the Cooperative's appreciation to Fred C. Garber, who will step down from SVEC's board of directors this year after service of more than 34 years. He explained that Mr. Garber has helped guide the Cooperative through many changes, as it has evolved over the years. Mr. Hastings also extended a thanks to former board members Gerald A. Heatwole, Garland H. Gibbs, Joyce R. Craun and Richard C. Shickle.

Mr. Hastings then turned the podium over to Mike Aulgur, to give his update from the member services department.

SPECIAL PRESENTATIONS

Mr. Aulgur explained that one of his roles as Vice President of Member Services is to oversee all communication that the Cooperative has with member-owners. Recently, member-owners may have seen information about how SVEC is upgrading its core software program. This program should enhance member-owners' and SVEC's ability to analyze electric consumption and provide additional communication tools. He said that member-owners should expect to see the changes from this new program take effect in September 2019.

Mr. Aulgur explained that Member Services also oversees survey work, which is used to improve the services that SVEC provides to its member-owners. He thanked those member-owners who have participated in the Cooperative's surveys and briefly reviewed the results from two of the 2018 surveys. He said that SVEC received a total score of 81 out of 100 and the average score of other electric cooperatives nationwide is 75 out of 100.

Some major takeaways of the 2018 survey were:

- 93% of member-owners are somewhat or very satisfied with in-person payment service at Cooperative offices
- Over 80% of member-owners perceive SVEC as the ideal utility company;
- Over 80% of member-owners feel that the Cooperative does well in meeting their expectations;
- 96% of people with new connections were satisfied with SVEC;
- 90% of people with general service requests were satisfied with SVEC;
- And, 89% of people who contacted the Cooperative about an outage were satisfied with the service received.

Mr. Aulgur told member-owners that SVEC takes feedback through these responses seriously and has identified and already begun implementing ways to improve upon them. For example, he said our commitment to local communities through Operation Round Up and being concerned about the environment have presented tangible opportunities for the cooperative to act on the priorities of the membership.

Mr. Aulgur then introduced Tom Beamon, Vice President of Finance and Accounting.

SPECIAL PRESENTATIONS

Mr. Beamon thanked all members present for attending the meeting.

Mr. Beamon started his report by explaining that one of the biggest tasks at the Cooperative is to match predictable expenses against a variable income stream. To do that, he said it is necessary to work diligently to seek creative opportunities to save money for member-owners.

Mr. Beamon said that in 2017 SVEC took advantage of changes in financial markets and lowered its borrowing costs by more than \$2 million annually. Mr. Beamon went on to explain that in 2018, the Cooperative worked

with its wholesale power supplier, Old Dominion Electric Cooperative, to lower the cost of power to member-owners, by over \$2 million.

Mr. Beamon then introduced Greg Rogers, Vice President of Engineering and Operations.

SPECIAL PRESENTATIONS

Mr. Rogers said that he wanted to highlight three areas related to engineering and operations during his report.

First, Mr. Rogers described the major substation rebuilds at Strasburg and Dayton and how they will provide increased reliability and efficiency to member-owners. About 6,000 member-owners receive service from the Strasburg substation and the new rebuild tripled capacity. In Dayton, the substation was rebuilt from the ground up and SVEC replaced a portion of equipment that dated all the way back to the 1950s. He said that both rebuilds will ensure reliable and safe delivery of electricity for many years.

Mr. Rogers then noted the major weather events that Mr. Hastings eluded to earlier. He described the heavy ice event in 2018 that led to over 12,000 SVEC member-owners without power. This storm caused 60 poles to break, about 200 spans of wire to go down. Mr. Rogers said that 78 men from other cooperatives in Virginia and North Carolina came and assisted SVEC during this storm.

Mr. Rogers explained that in September 2018, through a grant received from the Department of Energy, officials from North Carolina State University began working with SVEC to determine the financial feasibility and possible implementation of a community solar project in the service area. He said that this study comes at no cost to member-owners, but the results could potentially save member-owners money in the future by providing an opportunity for those who are unable to have ownership in solar power at their homes invest in this type of generation.

Finally, Mr. Rogers talked about two contracts for solar projects that the Rockingham Complex has been awarded. Nova Solar and Alternergy will be installing rooftop solar panels and a ground-level solar array. Mr. Rogers said this will allow SVEC to understand how commercial/residential-sized solar installations work through our own facility and then the Cooperative can pass the information along to our member-owners.

Mr. Rogers then introduced Marcus Harris, President and CEO of Old Dominion Electric Cooperative, SVEC's wholesale energy provider.

SPECIAL GUEST SPEAKER

Mr. Harris described how Old Dominion Electric Cooperative (ODEC) is owned by eleven electric cooperatives in Virginia, Delaware and Maryland and SVEC is one of the eleven members. He said that ODEC owns over 2,600 megawatts of generation and provides power to over 1.4 million people across the region. It is a not-for-profit power supply cooperative, making it similar to a distribution cooperative like SVEC. Mr. Harris said ODEC does not compromise when it comes to safety, integrity, accountability and service to our members.

Mr. Harris explained that ODEC provides electricity to rural, suburban and city areas. The Cooperative's footprint reaches from the mid-Atlantic and Eastern US and up the border creating a large utility supply. With this footprint, Mr. Harris explained that ODEC is constantly working on providing an efficient power supply as an investor owned utility. He said that years ago, ODEC primarily purchased energy, and today they generate more than they purchase, changing and diversifying their fuel mix.

He explained that the country is moving toward natural gas and renewable energy sources and ODEC is following this movement and is working on lowering its carbon footprint. ODEC's coal fired generation is decreasing, CO₂ emissions have gone down 33%, all while increasing energy generation by 6% since 2005. Mr. Harris said ODEC is also involved with renewable energy resources from wind, landfill gas, solar and hydroelectric power from Pennsylvania and Virginia. Over 440 megawatts of renewable resources are now under contract today and this number will continue to grow and change.

It was explained by Mr. Harris how the federal government expects growth to continue for solar and wind power over the next few years. He said that ODEC is very much part of this expected growth and is prepared for this new energy transition with projects involving transmission buildouts, electric vehicles, solar power, wind power, and much more. Mr. Harris believes that ODEC is prepared for these new energy transitions and will be working with its eleven members to make sure they are just as prepared. He pointed out that ODEC is strong because of its eleven members and are well positioned with their diverse mix of resources.

Mr. Harris finally noted that Fred Garber has been on the Old Dominion Electric Cooperative board for many years, which meets every month, and Mr. Garber was always present. He explained that Mr. Garber is a voice for SVEC within ODEC.

**BYLAWS AND
TERMS AND
CONDITIONS**

The Cooperative's attorney, Dale Davenport, reviewed a number of amendments to the Bylaws that the Board has made and will be making in the future to implement a new system of nominating and voting for members of the Board of Directors. He said that the Board felt that the number of members attending the Annual Meeting had declined to the point that there was inadequate participation in the process, and thus a set of major changes was merited. For 2019, the major changes have been in the nominating system, focusing on nominating petitions rather than nominating committee actions. However, next year in 2020, more important changes will occur when the voting method will be broadened to include mail-in and online balloting in director elections. Mr. Davenport said that changes also recently were made to the Cooperative's terms and conditions of service. He invited members who are interested in the details of the changes to come down to the stage after the meeting so he can review them in detail with those interested.

**CONFIRM THE
BYLWS AND
TERMS NAD
CONDITIONS**

Board Chair Garber asked for a motion to confirm. Motion accepted.

NEW BUSINESS

Board Chair Garber thanked the presenters and asked if there was any new business. Hearing none he asked if there were any questions or comments from the member-owners.

**QUESTIONS AND
COMMENTS**

A member-owner asked about SVEC sources of borrowed funds. It was answered that the Cooperative borrows money from the Rural Utility Service (RUS), a federal agency, and the National Rural Utilities Cooperative Finance Corporation (CFC) which is a lender to cooperatives and is a member-owned entity. A member-owner commented that someone from membership services keeps calling them and does not properly identify who they are. They are getting upset with the number of phone calls.

**ELECTION
RESULTS**

Board Chair Garber asked Attorney Davenport to announce the election results. Attorney Davenport said that the tellers have reported the election results as follows: City of Winchester, Robbie Marchant; Frederick/Clarke counties/City of Winchester, Bill Orndoff; Shenandoah/Warren/Page counties, Jerry Dofflemyer; and Shenandoah/Warren counties, Conrad Helsley. Attorney Davenport thanked the nominees for being willing to serve and also thanked the vote tellers for their work this evening.

ADJOURNMENT

Board Chair Garber explained to everyone that his successor had been elected tonight. He thanked everyone for allowing him to serve for last three decades and for all the member-owners presences and participation. Board Chair Garber asked for a motion to adjourn at 8:27 p.m. After a proper motion and second, by unanimous decision the meeting adjourned at 8:27 p.m. and Mr. Aulgur took the stage to draw for remaining door prizes.

Respectfully Submitted,

Secretary