

84th ANNUAL MEETING

Of Members of Shenandoah Valley Electric Cooperative – Thursday, August 13, 2020

OPENING

Shenandoah Valley Electric Cooperative held its 84th Annual Membership Meeting via telephone on Thursday, August 13, 2020 at Headquarters in Mt. Crawford, Virginia. The preliminary announcements began at 7:00 p.m.

Morgan Messer, Director of External Affairs and Communication, welcomed members to the meeting and explained how members can submit questions over the phone for the SVEC Board or Staff during the meeting.

Ms. Messer recognized elected Board Members: Board Chair Larry Howdysshell from Augusta County; Vice Chair Suzanne Obenshain from Rockingham County; Secretary/Treasurer Bill Orndoff from Frederick County; Brent Arbogast from Rockingham County, Steve Burkholder from Rockingham County; Dr. Conrad Helsley from Shenandoah County; Jerry Dofflemyer from Page County; Robbie Marchant from the City of Winchester; Brian Plum from Page County and Todd Van Horn from Frederick County. Ms. Messer then introduced the Cooperative's corporate attorneys Dale Davenport and Hannah Hutman as well as President and Chief Executive Officer Greg Rogers; Vice President and Chief Financial Officer Mike Aulgur; Vice President and Chief Information Officer Wayne Hannah; Vice President of Engineering Jason Burch and Vice President of Operations Tony Dean.

Ms. Messer announced that the following members won a \$250 bill credit for electric service for returning their proxy or registering for this meeting: Larry and Barbara Whitecotton of Blue Grass, Garlan and Sylvia Yoder of Harrisonburg, Allen Louderback of Luray, Patricia Dellinger of Edinburg, Nancy Dean of Westminster (MD), Deborah Gaczewski of Stephenson, Mary Hawkins of Dayton, Ellen Goodhart of Winchester, Jarman and Martha Fretwell of Waynesboro, Bill Crist of Timberville, Albert and Margaret Lee of Berryville, and David and Twila Stoltzfus of Harrisonburg. Ms. Messer then asked Wayne Hannah, Vice President and Chief Information Officer to provide a moment of reflection.

WELCOME AND CALL TO ORDER

Board Chair Larry Howdysshell called the meeting to order at 7:10 p.m. and welcomed everyone to SVEC's 84th Annual Meeting via phone. Before he began, Board Chair Howdysshell explained how members could vote on motions using their phones and thanked and recognized those individuals who were instrumental in putting this program together during the unprecedented times the pandemic has created.

DETERMINATION OF QUORUM AND NOTICE OF MEETING

Board Chair Larry Howdysshell asked Secretary/Treasurer Bill Orndoff to verify the meeting's quorum. In determining a quorum, Mr. Orndoff stated that the total Cooperative membership as of June 4, 2020 was 78,972 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 1,974 members need to be present or represented by proxy. As of 4:30 p.m. on August 11, 2020 which was the cutoff for annual meeting registration, the number of members registered or voting online was 542 and the total members represented by proxy were 5,108 for a total of 5,650 members are recognized as attending this meeting, and, thus a quorum exists.

Director Orndoff also reported that Survey and Ballot Systems is the company that handled the logistics for the meeting, including the meeting notice, proxies and balloting. The Cooperative has in its possession a certificate from Survey and Ballot Systems stating that on June 24, 2020 it mailed the official notice of this 2020 Annual Members Meeting as required by Section 3 of Article III of the Cooperative's bylaws.

READING OF FULL NOTICE OF MEETING

Board Chair Howdysshell called for the reading of the full notice of the meeting as contained in the materials mailed to all members, 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 2020 Annual Meeting.

READING OF 2019 MEETING MINUTES

The Board Chair called for the reading of the minutes of the 2019 Annual Meeting, a copy of which was made available on the Cooperative's website, including the annual meeting registration page, for several weeks, 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 2019 Annual Meeting and to accept them.

BOARD CHAIR REMARKS

Board Chair Howdysshell thanked members for allowing him to serve as a Director and to be associated with an honorable group of fellow Directors. Mr. Howdysshell said the Cooperative is doing a phenomenal job at keeping things running smoothly for members during the current unprecedented times and hoped that members barely

noticed any changes in their electric service since the Cooperative's offices have been closed and employees have been working from home. The Board Chair noted that SVEC maintains a total plant value of more than \$593 million in eight counties and the City of Winchester, serving a widespread and diverse territory with more than 98,000 meters along 7,800 miles of line. Before introducing Greg Rogers, President and CEO, Board Chair Howdyshell commended employees for their hard work and attention to safety that they put in everyday and promised to continue to support members and the communities that the Cooperative serves.

REPORT OF THE PRESIDENT & CEO

President and CEO, Greg Rogers, welcomed everyone to the annual meeting and explained that he would keep his remarks focused on four areas that are at the forefront of the Cooperative: Financials, COVID-19, Broadband, and Net Metering and Solar Projects.

Mr. Rogers said that members could view a detailed auditor's report for the 2019 financials on the website or by calling SVEC to request a copy. The financial data was also published in a report which was included in the July Cooperative Living magazine. Mr. Rogers explained that the major takeaway regarding financials is that SVEC remains to be financially stable through sound business decisions and practices. On July 30th of this year, the Board of Directors retired capital credits for all members who received service in 2019, Mr. Rogers said, retiring over \$4 million to members, ensuring they get more money back, and sooner, in the wake of the difficult financial time for everyone.

CEO Rogers explained that the cost of conducting service continues to rise and since SVEC is a not-for-profit cooperative, offsetting expenses and recovering costs has become instrumental in keeping the Cooperative financially stable. In January 2020, the Cooperative instituted a rate revision that included an increase in the basic consumer charge on member's bills, Mr. Rogers said that this has resulted in member questions and he wanted to address the issue. CEO Rogers indicated that SVEC pursued a rate revision to cover cost, not to generate additional revenue that could be redistributed, the Cooperative is attempting to recover costs of distributing and maintaining the system in which electricity is distributed on, regardless of directional flow. Mr. Rogers explained that in the past, SVEC had to rely on consumption to recover costs and it is important that the Cooperative move away from this methodology so that it can move towards promoting energy efficiency and reduced usage for members. CEO Rogers noted that it has been five years since the last rate revision and moving forward, SVEC plans to have a more gradual approach to changes in rates, including a revision in 2021. The Cooperative is undergoing a cost of service study Mr. Rogers described, the results of which will be essential in determining the fair allocation of expenses and recovery of those expenses. He explained that it is important that the Cooperative is known for being responsive to our members and offer member-driven initiatives like waiving credit card fees, installing kiosks and laying the groundwork to offering a prepaid metering program.

Mr. Rogers described how COVID-19 has affected the Cooperative, because it is a not-for-profit entity it relies on member payments to cash-flow the costs affiliated with providing service, and at this time, over 3,000 members have been delinquent on their bills, which has led to more than \$1.1 million in uncollected payments for the cooperative. The Cooperative is encouraging all members to "pay what you can, when you can" Mr. Rogers said, SVEC is looking at offering a pre-paid solution that would alleviate the deposit requirement to receive service as well as creating a procedure for working with members to create payment plans when the current disconnect moratorium expires on August 30, 2020.

Mr. Rogers said many members have had to adapt to working remotely and SVEC recognizes the need for broadband in rural communities. He explained that the Cooperative has been researching how installing fiber for SVEC's electric needs may or may not intersect with playing a role in distributing broadband to members who need it. A feasibility study was recently completed, and a second one, to compare cost, will be complete soon, Mr. Rogers noted, with this information the Board is scheduled to make a decision on the direction of broadband during a strategic planning meeting later this month. Mr. Rogers said that SVEC will share more information related the Board's decision with members.

It was explained by CEO Rogers that SVEC and its sister cooperatives in Virginia have made good progress on the solar energy front. Mr. Rogers noted that the Cooperative hired an Energy Program Coordinator who works out of the Rockingham office and is the primary contact for net metering members. In addition, as SVEC explores a rate revision, the Cooperative will also be examining a community solar offering which would allow members who cannot afford to place arrays on their property to participate in a renewable energy offering.

CEO Rogers described two solar projects that have been placed at the Rockingham office which will better educate the Cooperative on how various arrays function, a 10KW static array with a 11.4 KWh lithium ion battery which is enough to power a medium to large sized home and an 18 kW Single Axis tracking array, which can produce enough energy to power 1-3 homes. Mr. Rogers hopes that in the future, once everyone can safely get together, SVEC will host groups to come and learn more about the arrays.

Mr. Rogers thanked all staff for their dedicated work toward providing the essential service of electricity to members throughout the pandemic. Mr. Rogers recognized all former employees and board members who have worked hard to help SVEC grow its presence while never losing sight of what it means to be community oriented. CEO Rogers concluded by thanking all veterans, whether they be in the room with him tonight or listening on the phone, we will forever be grateful for your selfless efforts to give the rest of us an opportunity to live in a free world.

BYLAWS AND TERMS AND CONDITIONS

The Cooperative's attorney, Dale Davenport, reviewed a number of amendments to the Bylaws that the Board has made this year. Mr. Davenport said a copy of the Bylaws, inclusive of the changes, has been available on the Cooperative's website for the past few weeks and that the changes fell into three categories. The first category were those changes that were necessary to complete the transition in the way directors were nominated and how members ballot for the candidates. These changes started last year with the focus on the nominating process and continued in 2020 for new option of balloting online and in the mail as alternate ways of balloting for director elections. The second category was those changes that were required to make it possible for members to attend this Annual Meeting by telephone participation due to the recent pandemic. The third category included of a handful of changes to update the Bylaws in minor ways.

Mr. Davenport explained that with all of these changes in place, participation of member voting in the director elections increased over 9% of the total membership of the cooperative this year, achieving the main goal of Board of Directors which was to increase the level of involvement of members in the governance of the Cooperative.

CONFIRM THE BYLWS AND TERMS NAD CONDITIONS

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

NEW BUSINESS

Board Chair Howdyshell 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 why there was a nominating reduction and Attorney Dale Davenport explained that having a large number of candidates can create issues in obtaining a majority vote as well as the fact that there is limited space available on the written materials provided to members. Another member-owner asked why members only receive one vote, even if they have multiple accounts. Attorney Dale Davenport said the reasoning behind this is to make sure that all members are equal with regards to voting, this ensures that corporations or individuals with multiple accounts don't have control over the voting process. A member-owner asked about if the Cooperative was looking at becoming an internet service provider should they become involved in broadband or if SVEC would simply lay the line and another provider would provide the service to customers. CEO Rogers took this question and explained that all options are on the table for the Cooperative and the Board will look at all options later this month during their Strategic Planning Meeting.

ELECTION RESULTS

Board Chair Howdyshell asked Attorney Davenport to announce the election results. Attorney Davenport said that balloting in director elections opened on June 25, 2020 and ran through August 10, 2020. Mr. Davenport received the official ballot report on August 12, 2020 from Survey and Ballot Systems, the company that handled the ballot logistics. Attorney Davenport reported the election results as follows: Rockingham county, for Seat A, Stephen Burkholder and from Rockingham County, for Seat B, Suzanne Obenshain.

Mr. Davenport thanked the nominees for being willing to serve as well as the Nominating Committee for their work this year, the Committee was chaired by Dewey Ritchie and other members were Eugene Bare, Dwight Newman, and Michael Thompson.

ADJOURNMENT

Board Chair Howdysshell thanked member-owners for their participation and asked for a motion to adjourn at 7:47 p.m. After a proper motion and second, by unanimous decision the meeting adjourned at 8:47 p.m.

Respectfully Submitted,

Secretary

PENDING APPROVAL