

MINUTES OF MEETING OF THE BOARD OF DIRECTORS

BARC ELECTRIC COOPERATIVE

A meeting of the Board of Directors of BARC Electric Cooperative was held on September 16, 2020, via phone and videoconference by use of the Microsoft Teams platform. A quorum of directors was present. The General Counsel was absent due to legislative obligations.

The consideration of an executive session was tabled to the end of the agenda.

The first order of business was the Old Dominion Electric Cooperative (“Old Dominion”) report. Mr. Swisher reported on several matters that came up for discussion at the most recent Old Dominion board meeting. There will likely not be a negative margin stabilization charge by Old Dominion, despite the mild winter weather and impacts of the pandemic, due to the fact that demand revenues have recovered back to budgeted levels. The Cabin Point solar project has been put on hold due to the developer. The Holocene sale of the BARC Bustleburg solar project to EDF looks promising but has not been completed yet. There was no energy rate change in October and a significant rate decrease is likely to take effect on January 1, 2021.

Mr. Keyser presented the CEO’s Report. Small and large commercial energy sales are down 9% and 20%, respectively, against budgeted revenues. This has led to an \$800,000 variance against budget, ultimately resulting in decreased net margins. BARC Connects’ positive performance and the diversified revenue stream has helped to mitigate these impacts to some extent. June through August was BARC Connects’ best three months of subscriber onboarding, adding 428 new subscribers. Electric accounts receivable due to the disconnect moratorium continues to be a big concern, with total past due balances over \$300,000 now, an increase of almost 4,000% since January. Lastly, Mr. Keyser presented on several fiber project items, including an analysis of fiber expansion to the New Providence Church area in

Raphine, and an overview of the VATI fiber project areas to be built in 2021, and a four-year expansion plan for the remainder of the BARC Electric service area.

Mr. Keyser next presented the Communications Report. Several direct-mail broadband marketing activities occurred in August, as well as release of both new customer welcome packets for BARC Electric and BARC Connects. Mr. Keyser explained that these welcome packets are a way for the Cooperative and its subsidiary to form a positive first impression with new customers. Lastly, Electric and BARC Connects website visits and page views increased in August, likely as a result of area schools commencing with remote learning.

Mr. Cook presented the Finance Report. Total year-to-date margins were \$80,074 as of the end of August, which is under budgeted margins of \$95,100. Controllable and fixed costs are under budget, which has helped to offset the decrease in revenues brought on by the mild winter weather and pandemic. Additionally, non-operating margins are \$84,752 over budget, largely driven by BARC Connects' positive performance. Equity decreased to 29% of total assets and long-term debt increased to 59% of total assets. These trends are expected to continue as the broadband expansion continues.

Mr. Lowry presented the Engineering and Operations Report. The Warm Springs Mountain project is completed and the circuit was switched over on September 15. Work continues on the Millboro to Kool Dri line upgrade to accommodate the new 5MW solar array as well as the Bratton's Run substation relocation and development of the new four-year construction work plan. Fourteen new electric services were released to construction in August, bringing the year-to-date total to 72. SAIDI exceeded the KPI goal for the month, driven mostly by tree and weather (storm) related outages. Mr. Lowry also started reporting on broadband trouble issues, noting that TV-related trouble tickets drive the majority of customer truck rolls. Lastly, there were no detected cyberattacks or intrusions in the month of August.

Mr. Keyser presented the Network Operations Report. Mr. Keyser noted that BARC Connects is averaging 7-10% per month customer growth, including both residential and commercial subscribers. BARC Connects is now ahead of its year-to-date goals for new subscribers. Lastly, Mr. Keyser presented an analysis of actual performance to pro-forma projections for the period of 2019-2020, as well as a projection into 2021 performance based on current trends.

Mr. Cook then recommended renewal of the broadband bridge loan supporting fiber construction. BARC Electric has a \$13,000,000 bridge loan with the National Rural Utilities Cooperative Finance Corporation ("CFC") to finance construction costs prior to drawdown with the United States Department of Agriculture Rural Utilities Service. Mr. Cook explained that this line of credit is only for a one-year term and is thus subject to annual renewal. Upon a motion duly made and seconded, the board approved renewal of the bridge loan and passed the proposed board resolution to support the renewal.

Mr. Keyser presented the upcoming meetings. There were three upcoming meetings to note:

1. NRECA Online Regional Week – Wednesday October 14 to Friday, October 16
2. NRECA Region 1 business meeting – Friday, October 16 at 8:30am
3. BARC budget and finance committee meeting – Thursday, December 10 at 3:00pm

There was no VMDA Report.

Mr. Keyser provided the Safety Report. There were no lost time accidents in August, bringing the total hours worked since the last lost time accident to 332,925. There were no vehicle accidents. The report was approved by motion duly made and seconded.

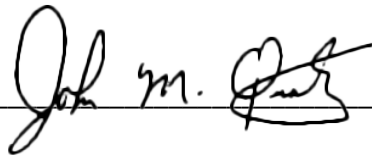
The minutes for August were approved by the Board upon motion duly made and seconded.

New members, cancellations, estate refunds, and accounts payable were all approved as presented, upon motion duly made and seconded.

A brief executive session was held but no action was taken at the end of the session.

There being nothing further to come before the Board, the meeting was adjourned.

Respectfully submitted,

Secretary 

Approved:

Keith L. Lush