

**MINUTES OF THE REGULAR BOARD MEETING
HELD TUESDAY, OCTOBER 15, 2019
SMECO HEADQUARTERS AUDITORIUM
15035 BURNT STORE ROAD
HUGHESVILLE, MD 20637**

The regular meeting of the Board of Directors of Southern Maryland Electric Cooperative, Inc. (SMECO) was held on Tuesday, October 15, 2019, 1:00 p.m. in the SMECO Headquarters Auditorium, 15035 Burnt Store Road, Hughesville Maryland 20637.

Attendance:

Directors:

W. Rayner Blair, III	Samuel "Jack" Hammett
Gilbert O. Bowling	W. Michael Phipps
Fern G. Brown	William L. Purnell
William R. Cullins, III	James A. Richards
Daniel W. Dyer	Joseph V. Stone, Jr.
Kenneth L. Dyson	P. Scott White
J. Douglas Frederick	Richard A. Winkler
	Nancy W. Zinn

Board Attorney:

Joseph R. Densford

SMECO Personnel:

President and Chief Executive Officer (CEO) Austin J. Slater, Jr.
Senior Vice President of Engineering and Operations and
Chief Operating Officer (COO) Kenneth M. Capps
Senior Vice President of Financial, Economic and Employee Services and
Chief Financial Officer (CFO) Sonja M. Cox
Senior Vice President of External Affairs and General Counsel Mark A. MacDougall
Senior Vice President of Customer & Enterprise Services and
Chief Information Officer (CIO) Joseph Trentacosta
Executive Assistant to the President & CEO Teresa M. Barringer
Office Administration Supervisor Theresa Moasser
Generalist Felicita Rich
Human Resources Director Cindy Rauner
Benefits & Wellness Manager Victoria St. Arnold

Guest:

Steve Thaler, Willis Towers Watson

Call to Order – Chairman P. Scott White called the meeting to order at 1:00 p.m.

Minute for Safety – Director Gilbert O. Bowling gave the minute for safety.

Presentation of plaque – Senior Vice President of Customer & Enterprise Services and CIO Joseph Trentacosta presented the “Community Hero Award” plaque which was awarded to SMECO from the Center for Children for their service to the Southern Maryland community.

Executive Session – A motion was duly made, seconded and unanimously carried to go into Executive Session at 1:02 p.m. to discuss a confidential personnel matter. CEO Slater left Executive Session at 1:04 p.m.

A motion was duly made, seconded, and unanimously carried to come out of Executive Session at 1:22 p.m., at which time CEO Slater and Executive Assistant Barringer joined the meeting.

Personnel and Benefits Committee – Committee Chairman Cullins reported that the Personnel and Benefits Committee held a meeting on Tuesday, October 8, 2019, 3:00 p.m., in the President’s Conference Room, 3rd floor, SMECO Headquarters, Hughesville, Maryland, and the following report was given:

Executive Benefits Package – Human Resources Director Cindy Rauner and Benefits and Wellness Manager Victoria St. Arnold (along with Steve Thaler, Willis Towers Watson) provided an overview of the proposed Executive Benefits Package, which was presented to the Personnel & Benefits Committee at their October 8, 2019 meeting. The recommendations are as follows:

- Establish a new 457(f) SERP
- Establish a Split-Dollar loan program tiered by position
- Establish new 457(b) plan for elective deferrals
- Freeze current 457(b) SERP

On behalf of the Personnel & Benefits Committee, Committee Chairman Cullins recommended a motion to accept the Executive Benefits Plan Package as outlined. A motion was duly made and unanimously carried to accept the Executive Benefits Plan Package as outlined above.

Victoria St. Arnold, Cindy Rauner, and Steve Thaler left the meeting immediately following the Executive Benefits Package presentation and CFO Cox, General Counsel MacDougall, CIO

Trentacosta, Office Administration Supervisor Theresa Moasser, and Generalist Felicita Rich joined the meeting.

Date of Next Personnel & Benefits Committee Meeting – Committee Chairman Cullins advised that the Personnel and Benefits Committee will hold a meeting on Tuesday, December 17, 2019, 10:00 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland.

Approval of Minutes – The minutes of the September 17, 2019 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the September 17, 2019 regular Board meeting.

September 2019 Financial Performance and Statistics Reports – CFO Cox reviewed the financial highlights for the period ending September 30, 2019.

Committee Reports:

Board Risk Oversight Committee – Committee Chairman Winkler reported that the Board Risk Oversight Committee (BROC) held a teleconference on Thursday, October 3, 2019, 4:00 p.m., and the following report was given:

Approve proposed purchase of Solar Renewable Energy Credits (SRECs) for 2019 & 2020 – Committee Chairman Winkler advised that the October 3, 2019 teleconference was called to address the SREC recommendation dated October 1, 2019 for planning years 2019 and 2020. The ACES recommendation was distributed to the committee in advance. The Board Risk Oversight Committee (BROC) is authorized to make this transaction pursuant to Board Policy 11-2, Trading Authority Policy.

The BROC unanimously approved the recommendation.

Date of Next Committee Meeting – Committee Chairman Winkler advised that the Board Risk Oversight Committee will hold a meeting on Tuesday, November 19, 2019, 10:30 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland.

Capital Projects Committee – Committee Chairman Blair reported that the Capital Projects

Committee did not hold a meeting; therefore, no report was given.

Date of Next Committee Meeting – Committee Chairman Blair advised that the Capital Projects Committee will hold a meeting on Tuesday, November 12, 2019, 2:00 p.m., in the SMECO Leonardtown Office, 23365 Hollywood Road, Leonardtown, Maryland.

Policy, Audit and Budget Committee - Committee Chairman Phipps reported that the Policy, Audit and Budget Committee held a meeting on Tuesday, October 15, 2019, 10:30 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland, and the following report was given:

Review of IRS Form 990 and Form 990-T for Calendar Year 2018 - Committee Chairman Phipps reported that the 2018 IRS Forms 990 and 990-T were presented by Steve Gilliam, Adams, Jenkins & Cheatham. The Policy, Audit and Budget Committee reviewed and approved for recommendation to the full Board. A motion was duly made and unanimously carried approving the 2018 IRS Form 990 and Form 990-T for filing.

Required Year-end Audit Communications - Committee Chairman Phipps advised that Steve Gilliam presented required audit communications, and reported that audit field work is scheduled for early December 2019, with the anticipated completion date of February or March 2020.

Discuss Bylaw revisions, Section 3.06 and Section 3.06.01 – General Counsel MacDougall along with Board Attorney Densford reviewed the proposed revisions to Bylaw Section 3.06 (Voting) and Section 3.06.01 (Ballots) for the 2020 Annual Members' Meeting. Signatures would no longer be required on ballots. The Policy, Audit and Budget Committee reviewed and approved for recommendation to the full Board; therefore, a motion was duly made and unanimously carried to approve the following changes to Sections 3.06 (C) and 3.06.01 (D) of the bylaws as follows:

PROPOSED BYLAWS AMENDMENT FOR 2020 ANNUAL MEETING

Section 3.06 Voting.

(C) Voting by a member shall be conducted in accordance with the rules and procedures determined by the Board of Directors, on a ballot form provided by the Cooperative. The ballot must be ~~signed by the voting member and~~ received by the Cooperative or its designee at the address designated by the Cooperative before 4:30 p.m. Eastern Time seven calendar days before the member meeting.

Section 3.06.01 Ballots.

(D) The Credentials and Election Committee may reject, and not give effect to, a ballot if the Credentials and Election Committee: (i) acts in good faith; and (ii) has a reasonable basis for doubting ~~(a) the identity of the person submitting the ballot as a member, or as authorized by a member., (b) the validity of the signature on the ballot as that of the member or authorized by a member, or (c) the validity of the signatory's authority to sign on behalf of the member.~~

Governance Twenty Questions- Committee Chairman Phipps advised that the Committee discussed a list of 20 possible questions that co-ops should expect to answer regarding the co-op model and co-op governance.

Publishing Board Meeting Minutes to SMECO website – Committee Chairman Phipps discussed the prospect of publishing official board meeting minutes to SMECO's website. The Policy, Audit and Budget Committee reviewed and approved for recommendation to the full Board that SMECO's approved regular Board meeting minutes be published to the SMECO website, along with information about our board meeting schedule.

A motion was duly made and unanimously carried to publish SMECO's approved regular Board meeting minutes on the SMECO website and to post our board meeting schedule.

Internal Audits – Committee Chairman Phipps advised that Staff would like to resurrect conducting internal audits; therefore, a request for proposal (RFP) will be issued for an internal audit service provider.

Date of Next Committee Meeting – Committee Chairman Phipps advised that the Policy, Audit and Budget Committee will hold a meeting on Friday, November 22, 2019, 9:00 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland.

Public Relations Committee - Committee Chairman Frederick reported that the Public Relations Committee did not hold a meeting; therefore, no report was given.

Reading Material – Chairman White called attention to board reading material.

Board Policy of the Month - Board Policy 2-2: Member Complaints. A synopsis was provided in board materials.

President's Report – CEO Slater updated the Board on current topics of interest regarding the business of the Cooperative.

Directors' Comments

Discussion ensued on various topics.

Old Business:

Contract Recommendation for Farmington Station Upgrade – CEO Slater advised that on September 16, 2019, proposals were received for construction services to upgrade SMECO's existing Farmington Station by adding two new 20/37 MVA transformers and the associated low side bus, control house and breakers.

It is recommended that the contract for construction services for this project be awarded to New River Electrical Corporation (NREC). NREC is a qualified contractor, has the lowest proposed cost, and has completed numerous substation projects in the past for SMECO successfully. A motion was duly made, seconded, and unanimously carried to approve the contract for construction work to be awarded to NREC at a cost of \$967,745.35.

2020 Industry Meetings & Director Training Selection Sheets – Chairman White referred the Board to the memos distributed to each Director individually outlining the approved selections for 2020 Industry Meetings and Director Training.

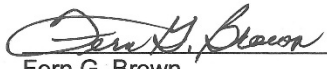
New Business:

Board Committee Assignments – Chairman White referred the Board to the proposed Board Committee Assignments posted in BoardPaq. A motion was duly made, seconded, and unanimously carried approving the new Board Committee Assignments effective October 15, 2019.

2019 NRECA Winter School for Directors – Chairman White advised the 2019 NRECA Winter School for Directors will be held December 13-18, 2019, and Director Stone will attend.

Confirm Date/Time for Next Board Meeting – The next regular meeting of the Board of Directors will be held on Tuesday, November 19, 2019, at 1:00 p.m. in the SMECO Headquarters Auditorium, Hughesville, Maryland.

Adjournment of Meeting – There was no further business to come before the Board of Directors; therefore, a motion was duly made, seconded, and unanimously carried approving the adjournment of the meeting at 2:45 p.m.


Fern G. Brown
Secretary-Treasurer