

**MINUTES OF THE REGULAR BOARD MEETING  
HELD TUESDAY, NOVEMBER 19, 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, November 19, 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  
Distributed Energy & Sustainability Vice President Jeff Shaw

Guests:

Joe Raia, President, Glimmerglass Consulting & Training, Inc.  
Andrew Hall, Executive Director of Portfolio Strategy, ACES Power  
Jason Painter, Vice President of Portfolio Strategy, ACES Power

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

**Minute for Safety** – Director Fern G. Brown gave the minute for safety.

**Executive Session** – A motion was duly made, seconded and unanimously carried to go into Executive Session at 1:10 p.m. to discuss a confidential contractual matter and a personnel matter. All Board members, together with CEO Slater, Board Attorney Densford, Facilitator Joe Raia, Human Resources Director Cindy Rauner, Distributed Energy & Sustainability Vice President Jeff Shaw, and Executive Assistant Barringer were present. Mr. Slater and Mr. Shaw were excused at 1:25 p.m.

A motion was duly made, seconded, and unanimously carried to come out of Executive Session at 2:16 p.m. A five-minute break was held, after which time CEO Slater, COO Capps, CFO Cox, CIO Trentacosta, General Counsel MacDougall, Office Administration Supervisor Theresa Moasser, and Generalist Felicita Rich joined the meeting. Mr. Raia and Ms. Rauner left the meeting immediately following Executive Session. The meeting resumed at 2:21 p.m.

**Approval of Minutes** – The minutes of the October 15, 2019 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the October 15, 2019 regular Board meeting.

**October 2019 Financial Performance and Statistics Reports** – CFO Cox reviewed the financial highlights for the period ending October 31, 2019.

**Committee Reports:**

**Board Risk Oversight Committee (BROC)** – Committee Chairman Winkler reported that the Board Risk Oversight Committee (BROC) held a meeting on Tuesday, November 19, 2019, 10:30 a.m., and the following report was given:

Enterprise Risk Management (ERM) Presentation - Committee Chairman Winkler reported that Reliability, Compliance & Security Managing Director Dave Viar provided an update on the ERM program at SMECO. Highlights included ERM Program quarterly report, NERC Mock Audit Results,

Information Security Risks, Project Risk Assessment, Safety, Insurance, Security Incident, and an update on the Security Program Manager Position.

Portfolio Update - Committee Chairman Winkler reported that Rates & Energy Procurement VP Eugene Bradford provided a presentation on the Power Portfolio, Hedge Plan Compliance, PJM Status & Trading Violations, Rate Comparison, Retail Choice, and Net Metering.

ACES Presentation – Andrew Hall (ACES) gave a presentation to the Board on SMECO's Portfolio Update to include Contracts Update, Current Market and Solar Renewable Energy Credit (SREC) Updates, Power Markets & Brandywine Updates, as well as the Natural Gas Market Outlook. In addition to the updates, the following ACES recommendations were presented to the Board:

SMECO Board Policy 11-2 (Trading Authority Policy) - On behalf of the BROCC, Committee Chairman Winkler recommended a motion to approve changes to Board Policy 11-2 (Trading Authority Policy) modifying the aggregate limit for Renewable Energy Credits that can be authorized by the CEO or the CEO's designated appointee from 20% to 30%. A motion was made and unanimously carried to approve the recommended changes.

SMECO Hedge Plan - As outlined in SMECO's Hedge Plan, Renewable Portfolio Standards and Renewable Energy Credits, SMECO will meet or exceed the requirements of the Maryland Renewable Portfolio Standard (RPS) and any applicable Federal renewable energy requirements. In order to meet these requirements in a disciplined manner, SMECO will execute Tier 1, Tier 2, and Solar renewable energy credit transactions in combination with any banked renewable energy credits.

On behalf of the BROCC, Committee Chairman Winkler recommended a motion to approve the above changes to the Tier 1, Tier 2, and Solar Requirements schedule. A motion was made and unanimously carried to approve the recommended changes.

ACES November Board Meeting Update – Committee Chairman Winkler updated the Committee on the ACES Board Meeting held November 14-15, 2019, which he attended with SMECO alternate Director CFO Cox.

SMECO Solar LLC Annual Meeting - General Counsel and Sr. VP Mark MacDougall provided a brief update regarding this meeting.

**Capital Projects Committee** – Committee Chairman Blair reported that the Capital Projects Committee held a meeting on Tuesday, November 12, 2019, 2:00 p.m., at the SMECO Leonardtown Office Auditorium and the following report was given:

Engineering Projects – Committee Chairman Blair advised that Hugh Voehl provided an update on current projects under construction, project budgets to date, planned 2020 construction projects, and planned interconnect projects.

Solomons Overhead to Underground Project Phase 2A, 2B-1, and 2B-2 – Committee Chairman Blair advised that Keith Ulrich provided a presentation on the Solomons Overhead to Underground Project, including design, permits, bidding, and construction on all Phases of the project. Phase 2B easement status was discussed as well as Phase 2A and 2B project expenditures to date.

Southern Region Facility Project Update – Committee Chairman Blair advised that Ryan Schlotterbeck provided a project update regarding the Southern Region Facility. The presentation included updates on design, construction, the health suite, financial review, schedule, and project schedule.

**Personnel and Benefits Committee** – Committee Chairman Cullins reported that the Personnel and Benefits Committee did not hold a meeting; therefore, no report was given.

Date of Next 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, Hughesville, Maryland.

**Policy, Audit and Budget Committee** - Committee Chairman Phipps reported that the Policy, Audit and Budget Committee did not hold a meeting; therefore, no report was given.

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 2-3: Provision of Unregulated Services on Members' Premises. 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 and on the following item:

SMECO Credit Rating – Fitch Ratings has affirmed SMECO's credit rating at BBB+, which is an investment grade rating and above all of the states' utility credit ratings.

### **Directors' Comments**

Discussion ensued on various topics.

### **Old Business:**

Strategic Planning Retreat 2019 – CEO Slater reported on the proposed charter for a Committee on Strategy and Innovation (COSI), previously discussed at the Board Strategic Planning Retreat held in May of 2019.

A motion was duly made, seconded, and unanimously carried to adopt a new Committee on Strategy and Innovation (COSI). The initial committee members will be P. Scott White, William R. Cullins III, Richard A. Winkler, Joseph V. Stone, Jr., and Daniel W. Dyer.

The COSI's primary responsibility is to assist the Board with its responsibilities for SMECO's mission, vision, strategic plan (StratMap), and strategic initiatives. The COSI shall report to the Board of Directors, and shall work closely with the CEO, Chief Strategy Officer (CSO), Executive Team, and other key staff in conducting its duties.

Discussion ensued on the position of a Chief Strategy Officer (CSO) who will work closely with the COSI. The general consensus of the Board is that the position for a CSO will be placed on hold until the new CEO is hired.

**New Business:**

2020 NRECA Directors Conference - Chairman White advised that the 2020 NRECA Directors Conference will be held February 27 – March 4, 2020. Directors Phipps Purnell, Brown, Stone and Zinn will attend. Voting delegates will be appointed at the January 21, 2020 Board Meeting.

Maryland Banker's Association (MBA) 13th Annual "First Friday" Economic Outlook Forum - Chairman White advised that the MBA 13th Annual "First Friday" Economic Outlook Forum will be held January 3, 2020 from 10 a.m. to 2:20 p.m. A sign-up sheet was circulated.

SMECO Director/Employee Awards Presentation/Holiday Luncheons – Chairman White noted that the employee holiday luncheons are scheduled in Hughesville on December 5 and Leonardtown on December 6. Directors are encouraged to attend.

**Confirm Date/Time for Next Board Meeting** – The next regular meeting of the Board of Directors will be held on Tuesday, December 17, 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 3:15 p.m.

A handwritten signature in cursive script, appearing to read "Fern G. Brown", written over a horizontal line.

Fern G. Brown  
Secretary-Treasurer