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**MINUTES OF THE REGULAR BOARD MEETING
HELD TUESDAY, May 19, 2020
via Zoom/Teleconference**

The regular meeting of the Board of Directors of Southern Maryland Electric Cooperative, Inc. (SMECO) was held on Tuesday, May 19, 2020, 1:00 p.m. via Zoom/Teleconference.

Attendance:

Directors:

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

Board Attorney: Joseph R. Densford

SMECO Personnel:

President and Chief Executive Officer (CEO) Sonja M. Cox
Senior Vice President of Engineering and Operations and
Chief Operating Officer (COO) Kenneth M. Capps
Vice President of Financial Services and
Chief Financial Officer (CFO) Beth Kennedy
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 (Absent)
Managing Director, Corporate Communications Terry Ressler
Facilities Management & Operations Director George Allan Hayden
Project Engineer Ryan Schlotterbeck
Reliability Compliance and Security Director Dave Viar
Executive Assistant to the President & CEO Teresa M. Barringer
Office Administration Supervisor Theresa Moasser
Generalist Felicita Rich

Call to Order – Chairman P. Scott White called the meeting to order at 12.59 p.m.

Minute for Safety – Director William R. Cullins III gave the minute for safety.

Executive Session #1: A motion was duly made, seconded, and unanimously carried to go into Executive Session #1 at 1:05 p.m. (Board Attorney Joseph R. Densford, President/CEO Sonja M. Cox, Senior Vice President of Engineering and Operations and Chief Operating Officer (COO) Kenneth M. Capps, Senior Vice President of External Affairs and General Counsel Mark A. MacDougall, Vice President of Financial Services and Chief Financial Officer (CFO) Beth Kennedy, Managing Director, Corporate Communications Terry Ressler, Reliability Compliance and Security Director Dave Viar, Facilities Management & Operations Director George Allen Hayden, Project Engineer Ryan Schlotterbeck, Office Administration Supervisor Theresa Moasser, Generalist Felicita Rich, and Executive Assistant to the President/CEO Terrie Barringer were also present).

A motion was duly made, seconded, and unanimously carried to come out of Executive Session #1 at 1:11 p.m. and resume the Regular Board Meeting.

Presentation: SMECO Coal-Free Study - Managing Director, Corporate Communications Terry Ressler presented the findings of the SMECO Coal-Free Study. Discussion ensued on various topics. Ms. Ressler left the meeting following the presentation.

Approval of Minutes – The minutes of the April 21, 2020 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the April 21, 2020 Regular Board Meeting.

April 2020 Financial Performance and Statistics Reports – CFO Kennedy reviewed the financial highlights for the period ending April 30, 2020.

Committee Reports:

Board Risk Oversight Committee – Committee Chairman Winkler reported that the Board Risk Oversight Committee (BROC) did not hold a meeting; therefore, no report was given.

Date of Next Committee Meeting – Committee Chairman Winkler advised that the Board Risk Oversight Committee (BROC) will hold a meeting on Tuesday, June 16, 2020, 10:30 a.m., SMECO

Headquarters Auditorium, Hughesville, Maryland or via Zoom/Teleconference.

Future Meetings:

- Tuesday, September 15, 2020, 10:00 a.m.
- Monday, November 17, 2020, 10:30 a.m.

Committee Chairman Winkler advised that due to the Covid-19 Pandemic, the May 18, 2020 ACES Board Meeting was held remotely.

Capital Projects Committee – Committee Chairman Blair reported that the Capital Projects Committee held a meeting on Monday, May 18, 2020, 11:00 a.m., via Zoom/Teleconference, and the following report was given:

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

Southern Region Facility Project Update – Project Engineer Ryan Schlotterbeck gave a presentation regarding a project update on the Southern Region Facility. The presentation included updates on design, construction, project risks, the proposed temporary closure of Regional Services, a financial review, potential change orders and current project schedule.

On behalf of the Capital Projects Committee, Committee Chairman Blair recommended a motion to approve the temporary closure of Regional Services during Phase 2 of construction.

A motion was duly made, and unanimously carried to approve the temporary closure of Regional Services during Phase 2 of construction.

Mr. Schlotterbeck, Mr. Viar, and Mr. Hayden left the meeting following the presentation.

Date of Next Committee Meeting – Committee Chairman Blair advised that the Capital Projects Committee will hold a meeting on Tuesday, August 11, 2020, 9:00 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland.

Future Meeting:

- Monday, November 9, 2020, 10:00 a.m.

Committee on Strategy and Innovation – Committee Chairman White reported that the Committee on Strategy and Innovation did not hold a meeting; therefore, no report was given.

Personnel and Benefits Committee – Committee Chairman Cullins reported that the Personnel and Benefits Committee held a meeting on Tuesday, May 19, 2020, 10:00 a.m., via Zoom/Teleconference, and the following report was given:

Fourth Quarter Investment Review and Retirement Plan Employee Engagement – Committee Chairman Cullins reported that an extensive overview was provided by industry experts with Prudential and Morgan Stanley regarding the market and the effects of the current Coronavirus Pandemic on the industry.

While the 60% Equity, 40% Fixed Income mix strategy will remain as the overall long-term strategy, a temporary change in allocation was recommended as follows:

- 4% more in Equities, 4% less in Fixed Income.
- Asset allocation is recommended to be changed to 64% Equity, 36% Fixed Income.

On behalf of the Personnel and Benefits Committee, Chairman Cullins recommended a motion to approve this temporary change in allocations. Therefore, a motion was duly made and unanimously carried to approve the recommended change of moving the Defined Benefit asset allocation to 64% Equity, 36% Fixed Income from 60% Equity, 40% Fixed Income.

Retirement Plan Employee Engagement – Committee Chairman Cullins advised that Chuck and Kim Rosenfield (Morgan Stanley) will continue to offer individual financial planning sessions and speak with employees regarding their concerns. A Zoom call was held for employees in March for updates and discussion, and was well attended.

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 Tuesday, September 15, 2020, at 11:00 a.m., in the SMECO Headquarters Auditorium, Hughesville, Maryland.

Future Meeting:

- Friday, November 20, 2020, 9:00 a.m. (2021 budget review)

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

Date of Next Committee Meeting – Committee Chairman Frederick advised that the Public Relations Committee will hold a meeting on Tuesday, June 16, 2020, 12:00 p.m., in the SMECO Headquarters President's Conference Room, 3rd Floor, SMECO Headquarters, Hughesville, Maryland or via Zoom/teleconference.

Future Meeting:

- Tuesday, October 20, 2020 lunch meeting, 12:00 p.m.

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

Board Policy of the Month – Board Policy 3-2: Employee Development. A synopsis was provided in board materials.

President's Report – CEO Cox updated the Board on current topics of interest regarding the business of the Cooperative and entertained questions regarding her written report.

Pandemic Report – CEO Cox updated the Board on the Cooperative's response to the COVID-19 Pandemic and the Transition to Work Plan currently being developed.

Directors' Comments:

Discussion ensued on various topics.

Old Business:

Report on 2020 Nominating Committee Meeting – Board Attorney Joseph R. Densford advised the 2020 Nominating Committee Meeting was held on Wednesday, May 13, 2020, via Teleconference. The following candidates were nominated:

CALVERT COUNTY (one seat)

William F. Baca
 Nancy W. Zinn (incumbent)

PRINCE GEORGE'S COUNTY (one seat)

Daniel W. Dyer (incumbent)
 Edith D. Thrash

CHARLES COUNTY (one seat)

Kenneth W. Cross
 William L. Purnell (incumbent)

ST. MARY'S COUNTY (two seats)

Joseph Douglas Frederick (incumbent)
 Debra Gray
 Joseph Gilbert Murphy
 David B. Richards

Board Attorney Densford advised that the deadline for nominations by petition is Friday, May 29, 2020 at 4 p.m.

New Business:

General Refund of Capital Credits - CFO Kennedy provided a presentation to the Board proposing a 2020 Capital Credit Refund Recommendation. The presentation outlined the following three scenarios for consideration:

2020 General Refund Proposal

Percentage	1.65%	1.05%	0.00%
Balance Payoff	\$100	\$100	\$0
Minimum Check	\$10	\$10	\$0
Total Margins & Equities 12/31/2019	\$301,801,222	\$301,801,222	\$301,801,222
2020 Estimated Margins	28,454,652	28,454,652	28,454,652
2020 Estimated Margins & Equities Sub-Total:	\$330,255,874	\$330,255,874	\$330,255,874
2020 Less Special Refunds (Estate Retirements)	(1,200,000)	(1,200,000)	(1,200,000)
2020 Less Special Refunds (Debt Recovery)	(1,200,000)	(1,200,000)	(1,200,000)
2020 Less General Refund	(4,609,618)	(3,021,432)	-
2020 Estimated Margins & Equities after Refund Total:	\$323,246,256	\$324,834,442	\$327,855,874
Active Customers - Applied	137,677	137,823	0
Inactive Customers - Check	31,449	18,935	0
Average Refund Applied	\$24	\$15	\$0
Average Check	\$27	\$26	\$0
Equity Ratio after Refund	33.85%	33.96%	34.16%
2020 Patronage Capital Balance - March Trial Balance	\$264,743,764	\$264,743,764	\$264,743,764

After discussion, a motion was duly made, seconded, and unanimously carried to proceed with the general refund of capital credits at the third scenario of 0% as outlined above and to authorize Secretary-Treasurer Brown to execute the following Board Resolution:

2020 GENERAL AND SPECIAL REFUND OF CAPITAL CREDITS
RESOLUTION ADOPTED BY BOARD OF DIRECTORS AT MEETING
HELD MAY 19, 2020

WHEREAS, on April 21, 2015, the Southern Maryland Electric Cooperative's Board of Directors adopted an Equity Management Plan designed to achieve a 1.85 to 2.0 Debt Service Coverage Ratio ('DSC') and a target Equity Ratio of 35%, and

WHEREAS, the Bylaws of the Cooperative provide that the Board of Directors shall determine the method, basis, priority and order of retirement; and, direct the general refund of capital credits to all eligible consumers as a percentage of their total capital credits, thereby allowing the largest number of members to participate in the refund and realize the advantage of cooperative ownership, when it does not impair the financial condition of the Cooperative, and

WHEREAS, the Cooperative had net margins for year-end December 31, 2019 of \$29,001,042 allowing for retirements of capital credits in 2020 of approximately \$2.4 million to all eligible members retirements in accordance with the terms of the Indenture, and

NOW, THEREFORE, BE IT RESOLVED, that Southern Maryland Electric Cooperative, Inc. taking into consideration the possible negative cash flow implications of the COVID-19 pandemic, hereby authorizes that no general refund of capital credits will be made in 2020.

BE IT FURTHER RESOLVED, that, Southern Maryland Electric Cooperative, Inc. hereby authorizes the continuing special retirement of capital credits to the estates of deceased members and to unpaid finals in the aggregate amount of approximately \$2.4 million in 2020.

NRECA Summer School for Directors - Chairman White gave an update that the NRECA Summer School for Directors to be held on June 5-10, 2020 in Charleston, South Carolina has been cancelled.

Executive Session #2 – A motion was duly made, seconded, and unanimously carried to go into Executive Session at 2:49 p.m. (Senior Vice President of Engineering and Operations and Chief Operating Officer (COO) Kenneth M. Capps, Vice President of Financial Services and Chief Financial Officer (CFO) Beth Kennedy, Office Administration Supervisor Theresa Moasser, and Generalist Felicita Rich were excused from the meeting).

A motion was duly made, seconded, and unanimously carried to come out of Executive Session at 4:01 p.m. and resume the Regular Board Meeting.

Confirm Date/Time for Next Board Meeting – The next regular meeting of the Board of Directors will be held on Tuesday, June 16, 2020, at 1:00 p.m. SMECO Headquarters or via Zoom/Teleconference.

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 4:01 p.m.



Fern G. Brown
Secretary-Treasurer