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**MINUTES OF THE REGULAR BOARD MEETING
HELD TUESDAY, JUNE 16, 2020
via Zoom/Teleconference**

The regular meeting of the Board of Directors of Southern Maryland Electric Cooperative, Inc. (SMECO) was held on Tuesday, June 16, 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
Automation Meter Operations Manager David Johnson
Managing Director, Government & Public Affairs Tom Dennison
Vice President, Rates & Energy Procurement Eugene Bradford
Vice President, Human Resources Cindy Rauner
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 1:00 p.m.

Minute for Safety – Director Nancy W. Zinn gave the minute for safety.

Approval of Minutes – The minutes of the May 19, 2020 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the May 19, 2020 Regular Board Meeting.

May 2020 Financial Performance and Statistics Reports – CFO Kennedy reviewed the financial highlights for the period ending May 31, 2020.

Committee Reports:

Board Risk Oversight Committee – Committee Chairman Winkler reported that the Board Risk Oversight Committee (BROC) held a meeting on Tuesday, June 16, 2020, 10:00 a.m., via Zoom/Teleconference, and the following report was given:

Update on Power Supply Portfolio – Committee Chairman Winkler reported that Vice President of Rates & Energy Procurement Eugene Bradford provided a presentation on the Power Portfolio, Hedge Plan Compliance, PJM Status & Trading Violations, Rate Comparison, and Retail Choice.

Overview of FERC Decision on MOPR – Committee Chairman Winkler briefly outlined ACES representative John Rohrbach's presentation on FERC's recent orders on the Minimum Offer Price Rule (MOPR). SMECO's existing capacity is MOPR exempt, new owned or contracted clean energy supply would face MOPR.

Discussion of Possible Green SOS Tariff – Committee Chairman Winkler explained the proposed Green SOS Tariff, a tariff that would allow individual members the option to have all of their SMECO-provided electric energy backed by renewable resources. Discussion ensued and Board Chairman White recommended this topic be revisited during New Business.

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 Strategic Update, ACES Member Risk Benchmark Study, Pandemic Response, Top Risks (Cyber, NERC Compliance, Critical Infrastructure, Safety, Corporate

Insurance), and Project Risks (Southern Region and CC&B Upgrade). Staff continues to respond to the Pandemic and emphasized awareness of hurricane season.

Date of Next Committee Meeting – Committee Chairman Winkler advised that the Board Risk Oversight Committee (BROC) will hold a meeting on Tuesday, September 15, 2020, 10:00 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland or via Zoom/Teleconference.

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, August 11, 2020, 9:00 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland or via Zoom/Teleconference.

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

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 or via Zoom/Teleconference.

Public Relations Committee – Committee Chairman Frederick reported that the Public Relations Committee held a meeting on Tuesday, June 16, 2020, 12:00 p.m., via Zoom/Teleconference, and the following report was given:

SMECO 2020 Annual Members' Meeting – Committee Chairman Frederick provided updates

on the SMECO 2020 Annual Members' Meeting election candidates, timeline, and event planning. A ballot proof and Annual Meeting Notice proof were included in Boardpaq for review. Effective with the 2021 election, the director application process will be online only for all candidates, including incumbents.

Update Candidate Applications Form – Committee Chairman Frederick briefly described changes that the Nominating Committee members suggested making to the Board Candidate Application Form. After discussion, the committee members decided to keep the candidate application form the same with no changes.

Background Check Requirement – Committee Chairman Frederick directed attention to another recommendation from the Nominating Committee to add a background check requirement to Board Candidate Applications. After discussion, the committee members decided against a background check requirement.

SMECO Scholarship Program Report – Committee Chairman Frederick acknowledged this year's recipients of the SMECO \$1,500 scholarships:

Alyssa Mazzone – Patuxent High School
Jordan Homan – La Plata High School
Chloe Harsha – Leonardtown High School
Aaliah Amosu – St. Charles High School

The SMECO Scholarship Committee received more than 70 applications and held interviews with eight students via Zoom.

Date of Next Committee Meeting – Committee Chairman Frederick advised that the Public Relations Committee will hold a meeting on Tuesday, October 20, 2020, 12:00 p.m., in the SMECO Headquarters President's Conference Room, 3rd Floor, SMECO Headquarters, Hughesville, Maryland or via Zoom/teleconference.

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

Board Policy of the Month – Board Policy 3-3: Salary Administration – Management Employees. 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.

Unfinished Business:

Capital Credits Refund – CFO Kennedy provided a follow-up presentation to the Board for the 2020 Capital Credit Refund Recommendation. The presentation outlined the following additional 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	<u>28,454,652</u>	<u>28,454,652</u>	<u>28,454,652</u>
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	<u>(4,609,618)</u>	<u>(3,021,432)</u>	-
2020 Estimated Margins & Equities after Refund Total:	<u>\$323,246,256</u>	<u>\$324,834,442</u>	<u>\$327,855,874</u>
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, the Board agreed to revisit the 2020 Capital Credit Refund Recommendation at the September Regular Board Meeting.

Broadband Project – CEO Cox invited Automation Meter Operations Manager David Johnson to present an update on the Broadband Project to the Board. Government & Public Affairs Managing Director Tom Dennison entertained questions from Board members. Discussion ensued.

New Business:

Discussion of Possible Green SOS Tariff – Vice President of Rates & Energy Procurement Eugene Bradford presented an overview of the proposed Green SOS Tariff, which would provide an option to allow individual members to have all of their SMECO-provided electric energy backed by renewable resources. This option would not have any adverse impact or increased cost to other members not participating, and the program can be provided at competitive rates and can be available to join or leave at the members' desire.

On behalf of the Board Risk Oversight Committee, Committee Chairman Winkler recommended a motion to approve the resolution to establish the Standard Offer Service-Green Rider (Rider SOS-G) and file the Rider SOS-G with the Maryland Public Service Commission with a proposed effective date of August 1, 2020.

A motion was duly made and unanimously carried to approve the resolution to establish the Standard Offer Service-Green Rider (Rider SOS-G) and file the Rider SOS-G with the Maryland Public Service Commission with a proposed effective date of August 1, 2020.

Mount Victoria Power Transformer Contract Recommendation – COO Capps discussed that SMECO's system requires the purchase of two 69kV medium power transformers in 2021 for the new Mount Victoria Substation to be built in Newburg, Maryland.

It is recommended that SMECO's Mount Victoria Power Transformer Contract be awarded to Pennsylvania Transformer Technology, Inc. (PTTI) for two 20/37 MVA transformers. PTTI will provide

quality product, delivered on schedule, and at the best overall project cost. Therefore, a motion was duly made, seconded, and unanimously carried to approve SMECO's Mount Victoria Power Transformer Contract be awarded to PTTI for two 20/37 MVA transformers in the amount of \$1,086,000.

NRECA Annual Membership Dues – Chairman White advised the National Rural Electric Cooperative Association (NRECA) Membership Dues for the member year beginning July 2, 2020 totaled \$147,685. A motion was duly made, seconded, and unanimously carried to authorize continued membership in the NRECA for the member year beginning July 2, 2020, at a cost of \$147,685.

2020 Credentials & Election (C&E) Committee Discussion – Board Attorney Densford reviewed the members of the C&E Committee with the Board and advised that two members from the 2019 C&E Committee will not be serving this year. Vacancies will be filled and the Board will appoint the 2020 C&E Committee at the Regular Board Meeting in July.

The 2020 C&E Committee will meet on Thursday, August 27, 2019, 4:00 p.m., at SMECO Headquarters Auditorium or via Zoom/Teleconference, Hughesville, Maryland, prior to the 2020 SMECO Annual Members' Meeting to be held at the SMECO Headquarters' Transportation building, 6:00 p.m.

Worker's Compensation Self-Insured Third Party Administrator – Vice President of Human Resources Cindy Rauner reviewed SMECO's historical claims experience for the last five years regarding the Cooperative's self-funded Worker's Compensation Trust as well as 2019-2020 claims. SMECO is in the year three of a three-year renewal timeframe with SISCO. Vice President Rauner reported that lost time claims were down from the prior year and 2020 claims are down significantly.

Executive Session – A motion was duly made, seconded, and unanimously carried to go into Executive Session at 3:01 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, 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, Automation Meter Operations Manager David Johnson, Managing Director, Government & Public Affairs Tom Dennison, Vice President, Rates & Energy Procurement Eugene Bradford, Vice President, Human Resources Cindy Rauner, 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 3:21 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, July 21, 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 3:21 p.m.



Fern G. Brown
Secretary-Treasurer