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**MINUTES OF THE REGULAR BOARD MEETING  
HELD TUESDAY, AUGUST 18, 2020  
SMECO HEADQUARTERS AUDITORIUM  
15035 BURNT STORE ROAD  
HUGHESVILLE, MD 20637  
and via Zoom/Teleconference**

The regular meeting of the Board of Directors of Southern Maryland Electric Cooperative, Inc. (SMECO) was held on Tuesday, August 18, 2020, 1:00 p.m. in the SMECO Headquarters Auditorium, 15035 Burnt Store Road, Hughesville Maryland 20637, and via Zoom/Teleconference.

**Attendance:**

Directors:

W. Rayner Blair, III (via Zoom)  
Gilbert O. Bowling  
Fern G. Brown (via Zoom)  
William R. Cullins, III  
Daniel W. Dyer  
Kenneth L. Dyson  
J. Douglas Frederick  
Susan Hance-Wells

W. Michael Phipps  
William L. Purnell  
James A. Richards (via Zoom)  
Joseph V. Stone, Jr.  
P. Scott White  
Richard A. Winkler  
Nancy W. Zinn (via Zoom)

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 (via Zoom)  
Vice President of Financial Services and  
Chief Financial Officer (CFO) Beth Kennedy (via Zoom)  
Senior Vice President of External Affairs and  
General Counsel Mark A. MacDougall (via Zoom)  
Senior Vice President of Customer & Enterprise Services and  
Chief Information Officer (CIO) Joseph Trentacosta (via Zoom)  
Senior Vice President and  
Chief Strategy & Innovation Officer (CSIO) Campbell Hawkins (via Zoom)  
Vice President, Human Resources Cindy Rauner (via Zoom)  
Enterprise Risk Management, Managing Director Dave Viar (via Zoom)  
Project Engineer Ryan Schlotterbeck (via Zoom)  
Executive Assistant to the President & CEO Teresa M. Barringer  
Office Administration Supervisor Theresa Moasser (via Zoom)  
Generalist Felicita Rich (via Zoom)

**Call to Order** – Chairman P. Scott White called the meeting to order at 12:58 p.m.

**Minute for Safety** – Chairman White gave the minute for safety.

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

**NRECA Video: “The Board’s Role in Safety”** – Chairman White announced that we will be sharing a different Governance Talk video every month. These videos are offered by the NRECA and are free to members and contain useful information. The video shared this month was entitled “The Board’s Role in Safety”.

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

Future Committee Meetings – Committee Chairman Winkler advised that the Board Risk Oversight Committee (BROC) will hold meetings on Tuesday, September 15, 2020, at 9:30 a.m., and Tuesday, November 17, 2020, at 10:30 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 held a meeting on Tuesday, August 11, 2020, 9:00 a.m., via Zoom/Teleconference, and the following report was given:

Transmission and Substation Projects Update – Committee Chairman Blair advised that Hugh Voehl and John Bredenkamp provided an update on current projects under construction, project budgets to date, and planned 2020 construction projects. Committee Chairman Blair invited CEO Cox

to share an update on planned interconnect projects.

Southern Region Facility Project Update – Committee Chairman Blair advised that committee members and SMECO staff conducted a site visit to the Southern Region Facility on August 17, 2020. Project Engineer Ryan Schlotterbeck gave a presentation on the Southern Region Facility. The presentation included updates on design, construction, project risks, financial review, potential change orders and current project schedule.

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

Future Committee Meetings – Committee Chairman Blair advised that the Capital Projects Committee will hold a meeting on Monday, November 9, 2020, at 10:00 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 held a meeting on Thursday, July 23, 2020, 2:30 p.m., SMECO Headquarters Auditorium, Hughesville, Maryland, and via teleconference, and the following report was given:

Fiber Discussion with Ozarks Electric Cooperative – Committee Chairman White communicated that the discussion and question and answer session with Ozarks Electric Cooperative was fruitful and interesting.

**Personnel and Benefits Committee** – Committee Chairman Cullins reported that the Personnel and Benefits Committee held a meeting on Tuesday, August 18, 2020, 10:00 a.m., SMECO Headquarters Auditorium, Hughesville, Maryland, and via Zoom/Teleconference, and the following report was given:

Actuarial Update – Committee Chairman Cullins advised that David Pappalardo (Prudential) presented highlights of the 2020 Actuarial Validation for Retirement Annuity Plan Report. The

Qualified Pension Plan is at a funded status of 100% on a relief basis and 87% on a pre-relief basis. The 2020 minimum required contribution is \$1,640,192 on pre-relief basis. Market volatility is directly related to the uncertainty cause by the global coronavirus pandemic.

Second Quarter Investment Review –

Defined Benefit Plan – An economic overview was provided and the market performance summary was outlined. Many Index returns have increased since the end of Q2. There are currently two funds on the Watch List: AlphaSimplex Global Alts and American Beacon Bridgeway Large Cap Value I. There is no need for concern and no changes are recommended at this time.

Defined Contribution Plans – SMECO's participation rates, average account balances, and deferral rates continue to perform above the national and industry norms. There are currently three funds on the Watch List: American Beacon Bridgeway Large Cap Value I, Templeton Global Bond R6, and JPMorgan SmartRetirement 2020-2055. There are no changes recommended to the investment lineup at this time. The Committee approved a motion to transfer from T. Rowe Price Large Cap Group I to PrudentialRetirement Inst-Pru Ret IS T. Rowe Price U.S. Large Cap Group SP.

Retirement Plan Employee Engagement – Committee Chairman Cullins advised that Chuck and Kim Rosenfield (Morgan Stanley) will continue to offer individual financial planning sessions and will plan another Town Hall discussion to listen to employees regarding their concerns.

Health Benefits Renewal – SMECO's 2021 benefits renewal recommendations were presented to the Personnel and Benefits Committee by Benefits and Wellness Manager Victoria St. Arnold. Based on recommendations from the Personnel and Benefits Committee, a motion was duly made and unanimously carried to approve the following:

- Renew medical, dental, vision, Medicare D, and life plans with the current carriers
  - no plan structure changes
  - researching costs for infertility treatments
- Premium changes
  - active employees: 0%
  - retiree/inactive: 0% medical

- retiree/inactive: increase 5.8% Medicare D Rx (\$10.89 per month)
- Maintain upfront employer funding for High Deductible Health Plan (HDHP)/Health Savings Account (HSA)
  - current participants: \$500 individual, \$1,000 family
  - year 1 participants: \$750 individual, \$1,500 family
- Increase HDHP/HSA limits due to IRS changes
  - deductible: \$1,400 individual, \$2,800 family
  - HSA contribution max: \$3,600 individual, \$7,200 family
- Review all other product lines with no change

Future Committee Meetings – Committee Chairman Cullins advised that the Personnel and Benefits Committee will hold a meeting on Tuesday, December 15, 2020, at 10:00 a.m. in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland or via Zoom/Teleconference.

**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.

Future Committee Meetings – Committee Chairman Phipps advised that the Policy, Audit and Budget Committee will hold meetings on Tuesday, September 15, 2020, at 11:00 a.m., and Friday, November 20, 2020 at 9:00 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 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, October 20, 2020, at 12:00 p.m. in the SMECO Headquarters President's Conference Room, 3<sup>rd</sup> 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 3-5: Employee Educational and Training Programs. 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.

**Directors' Comments:**

Discussion ensued on various topics.

**Unfinished Business:**

Annual Meeting Discussion – Chairman White confirmed that the Annual Meeting will take place on Thursday, August 27, 2020, 6:00 p.m., at the SMECO Transportation Building. The dress code will be business casual.

Chairman White reported that 10,472 votes have been received, 2,017 of which have been cast online and 8,455 received via mail. The last day to submit ballots is August 20, 2020.

2020 NRECA Online Regional Week, October 12-16, 2020 – Chairman White advised that the 2020 NRECA Online Regional Week will be held October 12-16, 2020 via Zoom and other virtual platforms. Directors Dyer and Brown will be attending. A motion was duly made, seconded, and unanimously carried to appoint Director Daniel W. Dyer as the primary voting delegate and Director Fern G. Brown as the alternate voting delegate for the National Rural Electric Cooperative Association (NRECA).

Report on CFC Special Membership Meeting – Chairman White advised CEO Cox and Director Stone attended the virtual CFC Special Membership Meeting on Friday, August 14, 2020. In order for CFC to conduct remote district meetings and director elections, they had to amend their bylaws. The Special Membership Meeting was held primarily to vote on a bylaw amendment that would allow CFC to conduct remote meetings. The Council of the District of Columbia passed legislation allowing organizations incorporated under the district's Cooperative Association Act to

transact business, including conducting elections, in a remote meeting setting through August 26, 2020. Since CFC is incorporated in the district, the legislation provided CFC with the opportunity to amend their bylaws via remote meeting. Director Stone was the Voting Delegate. CEO Cox and Director Stone agreed the Keynote Speaker was excellent.

**New Business:**

PNC Resolution – CFO Kennedy discussed SMECO's ongoing transition of the invoice approval and check printing processes with PNC Bank.

A motion was duly made, seconded, and unanimously carried to approve the Master Resolution and Authorization for Depository Accounts and Treasury Management Service with PNC Bank.

Proposed Board Meeting Dates for 2021 – Chairman White advised the Board of the proposed 2021 Board Meeting Dates. The meetings are scheduled to be held on the third Tuesday of the Month:

- Tuesday, January 19, 2021
- Tuesday, February 16, 2021
- Tuesday, March 16, 2021
- Tuesday, April 20, 2021
- Tuesday, May 18, 2021
- Tuesday, June 15, 2021
- Tuesday, July 20, 2021
- Tuesday, August 17, 2021
- Tuesday, September 21, 2021
- Tuesday, October 19, 2021
- Tuesday, November 16, 2021
- Tuesday, December 21, 2021

A motion was duly made, seconded and unanimously carried to accept the proposed 2021 Board Meeting dates.

**Executive Session** – A motion was duly made, seconded, and unanimously carried to go into Executive Session at 2:44 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 Customer & Enterprise Services and Chief Information Officer (CIO) Joseph Trentacosta, Senior Vice President of External Affairs and General Counsel Mark A. MacDougall, Senior Vice President, Chief Strategy & Innovation Officer (CSIO) Campbell Hawkins, 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 2:46 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, September 15, 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 2:46 p.m.



Fern G. Brown  
Secretary-Treasurer