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**MINUTES OF THE REGULAR BOARD MEETING
HELD TUESDAY, SEPTEMBER 15, 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, September 15, 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

Joseph Gilbert Murphy
W. Michael Phipps
William L. Purnell
James A. Richards
P. Scott White (via Zoom)
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
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
Senior Vice President and
Chief Strategy & Innovation Officer (CSIO) Campbell Hawkins
Vice President, Human Resources Cindy Rauner (via Zoom)
Customer Care Managing Director Tami Gardiner (via Zoom)
Rates & Energy Procurement Vice President Eugene Bradford
Enterprise Risk Management, Managing Director Dave Viar (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 1:03 p.m.

Minute for Safety – Director Winkler gave the minute for safety.

Oath of Office – Board Attorney Joseph R. Densford administered the oath of office to the following Directors:

- Nancy W. Zinn (Calvert County)
- William L. Purnell (Charles County)
- Daniel W. Dyer (Prince George's County)
- J. Douglas Frederick (St. Mary's County)
- Joseph Gilbert Murphy (St. Mary's County)

On behalf of the Board of Directors, Board Attorney Densford extended congratulations to these Directors.

Election of Officers – In accordance with the By-laws and Board Policy 1-11: Election and Term of Officers, Board Attorney Joseph R. Densford advised election of Board officers (Chairman, Vice Chairman, Secretary-Treasurer, Assistant Secretary-Treasurer) for a one-year term would be conducted by nomination as outlined in the newly revised Board Policy 1-11 (Election and Term of Officers). A nomination was called and all Directors were nominated, seconded, and then elected by acclamation to the following positions:

- Chairman of the Board: P. Scott White
- Vice Chairman of the Board: W. Michael Phipps
- Secretary-Treasurer: Fern G. Brown
- Assistant Secretary-Treasurer: Kenneth L. Dyson

Board Attorney Densford and Chairman of the Board P. Scott White extended congratulations to the newly-elected Board Officers.

Approval of Minutes – The minutes of the August 18, 2020 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the August 18, 2020 Regular Board Meeting.

Wall Street Journal Video: “Why Can’t Millions of Americans Access Reliable Internet Services?” – Chairman White shared a timely video, which explored the dilemma faced by many living in rural communities who do not have reliable internet service.

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

Committee Reports:

Board Risk Oversight Committee – Committee Chairman Winkler reported that the Board Risk Oversight Committee (BROC) held a meeting on Tuesday, September 15, 2020, 9:30 a.m. and the following report was given:

Enterprise Risk Management (ERM) Presentation - Committee Chairman Winkler introduced Reliability, Compliance & Security Managing Director Dave Viar who provided an update on the ERM program at SMECO. Highlights included ERM Strategic Update, Storm Isaias, Security Assessments (Information Security Assessment, AMI Vulnerability Assessment), Litigation Update, and Large Project Risk (SRP Project Risk Update).

Portfolio Update – Chairman Winkler introduced Vice President of Rates & Energy Procurement Eugene Bradford who provided a synopsis of the presentation shown at the BROC Meeting. Mr. Bradford provided an overview of his presentation on the Power Portfolio, Hedge Plan Compliance, Credit Status, Trading Violations, Rate Comparison, Retail Choice, and Net Metering.

ACES Board Meeting – Committee Chairman Winkler gave a brief report on the ACES Quarterly Board Meeting held August 20-21, 2020, in Indianapolis, Indiana. Both Chairman Winkler and CEO Cox attended the meeting virtually.

Next Committee Meeting – Committee Chairman Winkler advised that the Board Risk Oversight Committee (BROC) will hold their next meeting on 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 did not hold a meeting; therefore, no report was given.

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

Next Committee Meeting – Committee Chairman White advised that the Committee on Strategy and Innovation (COSI) will hold a meeting on Tuesday, September 29, 2020, at 10:00 a.m. in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland or via Zoom/Teleconference.

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

Next Committee Meeting – 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 held a meeting on Tuesday, September 15, 2020, 11:00 a.m. and the following report was given:

Review of IRS Form 990 and Form 990-T for Calendar Year 2019 - Committee Chairman Phipps reported that Steve Gilliam, Adams, Jenkins, and Cheatham presented the 2019 IRS Forms

990 and 990-T. 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 2019 IRS Form 990 and Form 990-T for filing.

Required Year-end Audit Communications - Committee Chairman Phipps advised that John Cheatham, Adams, Jenkins, and Cheatham, presented required year-end audit communications, and reported that audit field work is scheduled for late February 2021 (it is still to be determined whether or not this will be done remotely), with the anticipated completion date of March or April 2021.

Internal Audit Update – Committee Chairman Phipps advised that an update on the internal audit program being performed by Dixon Hughes Goodman, LLP (DHG) was given to the Committee by Angie Verras. Two internal audits are currently being performed—one on Remote Work Environment and one on Billing and Credit and Collections. Draft reports are expected by the end of October.

Date of Next Committee Meeting – Committee Chairman Phipps advised that the Policy, Audit and Budget Committee will hold a meeting on Friday, November 20, 2020, 9:00 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland and/or via Zoom.

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, 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 3-6: Member in Civic and Service Organizations.

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.

Directors' Comments:

Discussion ensued on various topics.

Unfinished Business:

Capital Credits Discussion – As a follow up from the June 16, 2020 Board Meeting, CFO Kennedy presented the same 2020 General Refund Proposal along with a 2020 Cash Flow Analysis. Upon further review and discussion, a motion was duly made and unanimously carried not to issue a General Capital Credit refund this year. Special refunds will continue to be paid throughout the year to estates of deceased member and unpaid final bills.

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:	<u>\$330,255,874</u>	<u>\$330,255,874</u>	<u>\$330,255,874</u>
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>	<u>-</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

New Business:

BASE SOS Rate Change - Vice President of Rates & Energy Procurement Eugene Bradford provided a presentation on the SMECO SOS Rate Restatement. A motion was duly made, seconded, and unanimously carried to authorize the new following Base SOS Rate changes for residential:

Residential Rates

	<u>New Rate</u> (\$/kWh)	<u>Current SOS Rate</u> (\$/kWh)	<u>Change</u>	<u>Bill Impact</u>
Summer Energy	\$0.0611	\$0.0621	-1.6%	(\$1.25)
Winter Energy	0.0656	0.0674	-2.7%	(\$2.25)
Annual Average	0.0637	0.0652	-2.3%	

VP Bradford also presented updated rates for General Service – Non-Demand, General Service – Demand, Large Power, Transmission Service, NSWC, SF Rates, Area Lighting, and Street Lighting. The filing is due to the Maryland Public Service Commission by September 30, 2020 and the new Base SOS Rates, if approved by the Commission, will become effective December 1, 2020.

Arrearages, Terminations, and Collections - Customer Care Managing Director Tami Gardiner updated the Board on the Maryland Public Service Commission PC 53 hearing, which focused on the Maryland electric utilities' policies and plans for arrearages, notices, terminations, and collections.

Ms. Gardiner provided a summary of the PSC order as listed below:

- Motion #1 – Extending the Moratorium and Invalidating Previously Sent Notices
- Motion #2 – Extending Notice Period to 45 Days
- Motion #3 – Setting Minimum Repayment Term
- Motion #4 – Waiving Down Payment and Deposits
- Motion #5 – Negotiation of Payment Plan

SMECO Match – 2020-2021 United Way Campaign – Human Resources VP Rauner reported that last year SMECO and its employees pledged over \$21,000 to the three chapters, including the corporate match of \$10,000 for the 2019-2020 United Way Campaign.

A motion was duly made, seconded, and unanimously carried to authorize a corporate match of up to \$10,000 for the 2020-2021 United Way Campaign.

New 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 September 15, 2020 and Voting Delegates/Alternate Voting Delegates as follows:

Joseph Gilbert Murphy will be assigned to the Board Risk Oversight Committee and the Personnel and Benefits Committee.

Federated Insurance:

P. Scott White, Voting Delegate

Richard A. Winkler, Alternate Voting Delegate

National Rural Utilities Cooperative Finance Corporation (CFC):

P. Scott White, Voting Delegate

William L. Purnell, Alternate Voting Delegate

Executive Session – A motion was duly made, seconded, and unanimously carried to go into Executive Session at 2:55 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 Customer Care Managing Director Tami Gardiner, Rates & Energy Procurement Vice President Eugene Bradford, Enterprise Risk Management, Managing Director Dave Viar, 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 2:56 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, October 20, 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 2:57 p.m.



Fern G. Brown
Secretary-Treasurer