



1-888-440-3311
P.O. Box 1937, Hughesville, MD 20637
www.smeco.coop

People. Power. Progress.

**MINUTES OF THE REGULAR BOARD MEETING
HELD TUESDAY, DECEMBER 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, December 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 (via Zoom)
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
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
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)
Rates & Energy Procurement Vice President Eugene Bradford
Government & Public Affairs Managing Director Tom Dennison
Billing Services Director Lynette Starke (via Zoom)
Community & Public Affairs Director Natalie Cotton (via Zoom)
Accounting & Budgeting Director Belinda Anderson (via Zoom)
Executive Assistant to the President & CEO Teresa M. Barringer
Generalist Felicita Rich (via Zoom)

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

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

Presentation: Legislative Update – Tom Dennison presented a preview of the 2021 General Assembly session. The session will be largely virtual. Lawmakers will be socially distanced, there will be infrequent meetings in-person, and the House and Senate committees will hold bill hearings virtually. SMECO will advocate for a bill that will allow co-op members to participate in annual meetings virtually as well as in person.

Approval of Minutes – The minutes of the November 17, 2020 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the November 17, 2020 Regular Board Meeting.

NRECA Governance Video: “Navigating Difficult Ethical Issues” - Chairman White shared a video on the need for boards to discuss ethical challenges. In this video, Pat Mangan, NRECA Director of Governance Education interviews Adam Schwartz, founder of the Cooperative Way and consultant with Columinate Consulting Group, also explored the following questions: Is your board able to engage in a discussion on an ethical issue such as a conflict of interest? How does your board communicate its policy on ethical conduct to a new director?

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

Committee Reports:

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

Capital Projects Committee – Committee Chairman Blair reported that the Capital Projects Committee did not hold a meeting; therefore, no report was given.

Committee on Strategy and Innovation – Committee Chairman White reported that the

Committee on Strategy and Innovation held a meeting on Friday, December 4, 2020, at 10:00 a.m. in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland and via Zoom/Teleconference, and the following report was given:

Post-Election – “How Does New Administration Change Our Strategy”? – Committee Chairman White advised that CEO Cox and CSIO Hawkins shared a presentation highlighting areas of potential impact post-election.

Strategy Development and Organizational and Operating Model – Chairman White advised that SVP and CSIO Hawkins shared a presentation on the 2021 objectives. He plans to work with a third-party consulting firm to assist with the development of a five-year (2022-2026) strategic plan for the cooperative. The goal of the collective process is to deliver a Board approved, five-year strategic plan by Q4 2021.

Update on Assisting Underserved Broadband Customers in SMECO Service Area – Committee Chairman White advised that SVP and CIO Trentacosta shared a presentation on Kajeet SmartSpots, which are wireless Wi-Fi hotspots. Kajeet is a company that provides education solutions through Verizon Wireless. The Committee on Strategy and Innovation approved the purchase of hotspots (which will include service for one year) for students residing in underserved/unserved SMECO service areas.

Discuss Dates for 2021 Meetings – Committee Chairman White advised that effective in 2021, meetings will be held on a quarterly basis. Executive Assistant Barringer will work on a schedule.

Personnel and Benefits Committee – Committee Chairman Cullins reported that the Personnel and Benefits Committee held 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, and the following report was given:

Third Quarter Investment Review – Committee Chairman Cullins reported that a Third Quarter Investment Review was provided by Joanna Hunt with Prudential and Trip McLaughlin and Chuck and Kim Rosenfield with Morgan Stanley. An economic overview was provided and the market performance summary was outlined.

Committee Chairman Cullins, on behalf of the Personnel & Benefits Committee, recommended that the Board accept the recommendation to convert T. Rowe Price Large Cap Growth I to the separate account version of the same fund with lower operating expenses. A motion was duly made and unanimously carried to accept the recommendation as presented.

Chuck and Kim Rosenfield reviewed financial wellness offerings. Employee education in group settings are presented virtually via Prudential. In addition, virtual one-on-one sessions are being held with Morgan Stanley.

Discretionary Supplement for Retirees - Committee Chairman Cullins, on behalf of the Personnel & Benefits Committee, recommended that the Board adopt a new Discretionary Supplement Table for 2021, for a maximum total payout of \$227,000, which is equivalent to an average percentage of 3%. Please refer to Table 2.5 below. A motion was duly made and unanimously carried to issue a one-time lump sum 3% Discretionary Supplement to pension participants for 2021.

| TABLE 2.5 (Requested by SMECO) | |
|--------------------------------|--------------|
| Year of Retirement | % of Benefit |
| prior to 1993 | 6.0% |
| 1993-1999 | 5.0% |
| 2000-2006 | 4.0% |
| 2007-2013 | 2.5% |
| 2014+ | 2.0% |
| Total Payment | \$227,000 |
| Average Payment | \$730 |
| Average Percentage | 3.0% |

Executive Benefits Plans – Committee Chairman Cullins advised that a brief background of the Executive Benefits history was given by Sonja Cox. Further detail and a resolution will be discussed later in the meeting.

Policy, Audit and Budget Committee – Committee Chairman Phipps reported that the Policy, Audit and Budget Committee held a meeting on Friday, November 20, 2020, 9:00 a.m., in the SMECO Headquarters Auditorium, SMECO Headquarters, Hughesville, Maryland and/or via Zoom, and the following report was given:

Discussion of Possible Bylaw/Legislative Change to Allow for Virtual Annual Meetings – Committee Chairman Phipps advised this topic will be discussed later in the meeting.

Review 2021 Proposed Budget – Committee Chairman Phipps requested Belinda Anderson, Accounting & Budgeting Director, to give a summary review of the proposed 2021 budget.

Committee Chairman Phipps, on behalf of the Policy, Audit and Budget Committee, recommended that the Board approve the 2021 budget as presented. A motion was duly made and unanimously carried approving the 2021 budget as presented.

Accounting & Budgeting Director Belinda Anderson left the meeting immediately following the presentation.

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 3-10: Use of Construction and other Cooperative-owned Equipment. 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.

Additional Day of Leave – Chairman White recommended to the Board, as a thank you for a tremendous job and the exceptional safety record achieved this year, SMECO employees be granted an additional day of leave that they may enjoy on Christmas Eve, December 24, 2020. CEO Cox will share this information with All SMECO Employees via email and text message.

A motion was duly made, seconded, and unanimously carried to grant SMECO employees an additional day of leave on December 24, 2020.

Unfinished Business:

2021 NRECA Power Xchange (formerly NRECA Annual Meeting) - Chairman White advised that the 2021 NRECA Power Xchange will be held virtually February 18 – 24, 2021. Directors Brown, Phipps, and Zinn will attend. Voting delegates will be appointed at the January 19, 2021 Board Meeting.

Recommendation on Long-Term Power Supply – As a follow up from the November 17, 2020 Board Meeting, Rates & Energy Procurement Vice President Eugene Bradford shared information on recent evaluations with ACES and a Power Supply Vendor (PSV) on potential long-term products for up to a ten-year period starting in 2022 or 2023 including annual energy blocks, a long-term four to ten year strip, or a costless collar, and negotiations with PSV.

A motion was duly made, seconded, and unanimously carried to allow SMECO to approve and execute a deal with PSV by December 31, 2020 at a price at or below \$32.50/MWh.

Salvage, Scrap, Obsolete Material Disposal Policy Revision – COO Capps advised that in March of 2020 a memo was sent to All SMECO Employees with information regarding the policy revision for disposing of salvage, scrap, and obsolete materials that have been removed and retired from the field. COO Capps provided a power point presentation that explained experiences and the

corrective measures that have now been put into place. SMECO has contracted with a company whose disposal eliminates all issues and the materials will now be repurposed and reused.

New Business:

Discussion – Members Helping Members Program – CEO Cox introduced Billing Services Director Lynette Starke who shared an overview of the Members Helping Members Program. Ms. Starke was joined by Community & Public Affairs Director Natalie Cotton who shared additional information on the administration of the program. A question and answer session followed the presentation. CEO Cox will do some research on assisting members further and the discussion will continue at the January 19, 2021 Board Meeting. Billing Services Director Lynette Starke left immediately following the presentation.

Bylaw Changes – General Counsel MacDougall discussed proposed Bylaw changes to provide for virtual Annual Members' Meetings and virtual Board Meetings for the 2021 Annual Members' Meeting. After discussion, a motion was duly made, seconded, and unanimously carried to approve the following changes to Article III, Meetings of Members, Section 3.01 (Annual Meeting), Section 3.04 (Quorum), Section 3.05 (Credentials and Election Committee) and Article V, Meetings of Directors, Section 5.01 (Regular Meetings), Section 5.02 (Special Meetings), Section 5.03 (Notice of Directors' Meetings), and Section 5.04 (Quorum) of the bylaws as follows:

PROPOSED BYLAWS CHANGES – 2021

**ARTICLE III
MEETINGS OF MEMBERS**

Section 3.01 Annual Meeting. The annual meeting of the members shall be held at a ~~day and hour and at such place~~time and place in the counties of Charles, St. Mary's, Prince George's or Calvert, State of Maryland, or may be held solely by means of remote communication, or may be held by a combination of in-person and remote communication as shall be determined by the Board and designated in the notice of the meeting as may be supplemented or amended, for the purpose of ~~concluding and~~ reporting the results of the election of directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. Any meeting held by means of remote communication must provide a reasonable opportunity for members to participate in the meeting and vote on any matters that may be submitted to the members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings. Failure to hold the annual meeting at the designated time shall not ~~work~~result in a forfeiture or dissolution of the Cooperative.

Section 3.04 Quorum. Five hundred members, at least fifty of whom must be present in person or through remote communication as approved by the Board, shall constitute a quorum. For a meeting of members for which a vote has been noticed, members who have voted by a method authorized by these bylaws shall be counted with those members present, either in person or participating remotely, in determining the existence of a quorum. If a quorum does not exist for any meeting, a majority of those present may adjourn the meeting from time to time without further notice. The business that would have been transacted at such meeting will be held over until the next annual meeting.

Section 3.05 Credentials and Election Committee. The Board of Directors shall, at least ten days before any meeting of the members, appoint a Credentials and Election Committee consisting ~~of an odd number~~ of Cooperative members of not less than five nor more than twenty-nine, who are not close relatives or members of the same household of existing directors or known candidates for directors to be elected at such meeting. In appointing the committee, the Board shall have regard for equitable representation of the several areas served by the Cooperative. It shall be the responsibility of the committee to pass on all questions that may arise with respect to the registration of members, to monitor the tallying of all ballots cast in any election or in any other ballot vote taken, and to establish rules governing the effect of any ballots irregularly marked. The committee's decision on all such matters shall be final. The committee shall certify the results of any vote and report the results of the vote at the meeting of members. Voting results shall become final upon the ~~report thereon~~certification thereof by the Credentials and Election Committee.

ARTICLE V MEETINGS OF DIRECTORS

Section 5.01 Regular Meetings. A meeting of the Board of Directors may be held, without notice other than this bylaw, immediately after and at the same place as the annual meeting of the members. A meeting of the Board of Directors other than a special meeting shall be held monthly at such time and place within the service area of the Cooperative in person, by remote communication, or both as the Board of Directors may provide by resolution. Such monthly meetings may be held without notice other than such resolution fixing the time, ~~and~~ place, and method thereof. The Board of Directors may by resolution, establish more than one monthly meeting.

Section 5.02 Special Meetings. Special meetings of the Board of Directors may be called by the Chairperson or by a majority of directors and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairperson or the directors calling the meeting shall fix the time, ~~and~~ place, and method for ~~the~~ holding of the meeting.

Section 5.03 Notice of Directors' Meetings. ~~Written a~~ Notice of the time, place, method, and purpose of any special meeting of the Board of Directors shall be delivered to each director, ~~either personally or by mail~~, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairperson or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 5.04 Quorum. A majority of the Board of Directors shall constitute a quorum, provided that, if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time and, provided further that, the Secretary shall notify any absent directors of the time, ~~and~~ place, and method of such adjourned and rescheduled meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided by these bylaws.

General Counsel MacDougall also shared some proposed statutory changes to the Electric Cooperative Act.

Public Affairs Director Natalie Cotton left the meeting immediately following this presentation.

Prince George's County Permitting Authorization – COO Capps advised that the Prince George's County Public Works requires SMECO to submit written proof of indemnification each time we submit a permit to construct or maintain our electric distribution system. Three SMECO employees are authorized to apply for such permits when needed to work within the public rights-of-ways in Prince George's County to construct or maintain our electric distribution system. These SMECO employees are Keith Ulrich, Project Coordinator; Thomas Wathen, Regional Operations Director; and

Christopher Norton, Managing Director – Electric Operations and Construction. A motion was duly made, seconded, and unanimously carried to approve the Authorization Certificate as presented; Secretary-Treasurer Brown will sign the Authorization Certificate.

Review Executive Benefits Plans – CEO Cox provided a brief background of the Executive Benefits history. A Board Resolution was posted in BoardPaq and is needed to finalize the plan documents for the newly created plans. CEO Cox reviewed highlights of the Board Resolution and advised there will be an internal staff Committee formed to review the plans and make recommendations to the Board annually. Adding or removal of participants is authorized by the President and CEO and will be presented at the next Personnel and Benefits Committee following the change.

On behalf of the Personnel and Benefits Committee, a motion was duly made and unanimously carried to approve the board resolution as presented.

ACRE Membership Renewal - Chairman White referred the Board to the ACRE Memo in board materials. Directors are asked to support ACRE by maintaining membership at the Century Club level, and spouse's membership at the Regular level.

Maryland Banker's Association (MBA) 14th Annual "First Friday" Economic Outlook Virtual Forum - Chairman White advised that the MBA 14th Annual "First Friday" Economic Outlook Forum will be held as a virtual event on Friday, January 8, 2021, from 10:00 a.m. to 12:00 p.m. A sign-up sheet was circulated.

Confirm Date/Time for Next Board Meeting – The next regular meeting of the Board of Directors will be held on Tuesday, January 19, 2021, at 1:00 p.m., SMECO Headquarters or via Zoom/Teleconference.

Executive Session – A motion was duly made, seconded, and unanimously carried to go into Executive Session at 3:59 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, and Vice President, Human Resources Cindy Rauner, Rates & Energy Procurement Vice President Eugene Bradford, Government & Public Affairs Managing Director Tom Dennison, and Generalist Felicita Rich were excused from the meeting).

Chairman White called for a short break and Executive Session resumed at 4:10 p.m.

A motion was duly made, seconded, and unanimously carried to come out of Executive Session at 4:36 p.m. and resume the Regular Board Meeting.

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 4:36 p.m.



Fern G. Brown
Secretary-Treasurer