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**MINUTES OF THE REGULAR BOARD MEETING
HELD TUESDAY, MAY 18, 2021
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, May 18, 2021, 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
Gilbert O. Bowling
Fern G. Brown
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

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) Roger Schneider (via Zoom)
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 and
Chief Strategy & Innovation Officer (CSIO) Campbell Hawkins (via Zoom)
Vice President, Human Resources Cindy Rauner (via Zoom)
Executive Assistant to the President & CEO Teresa M. Barringer

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

Minute for Safety – Director Hance-Wells gave the minute for safety.

Presentation – Wall Street Journal Video – “Why Your Electricity Bill May Be Higher Than Your Neighbor’s”. Retail energy companies in the United States compete with local utilities to give consumers more choice. Although deregulation was aimed to lower home power bills, for many it did not. The video explained the reasons why you may be paying more for your electricity than your neighbors.

Approval of Minutes – The minutes of the April 20, 2021 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the April 20, 2021 Regular Board Meeting.

April 2021 Financial Performance and Statistics Reports– CFO Kennedy reviewed the financial highlights for the period ending April 30, 2021.

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.

Report on ACES May 13-14, 2021 Board Meeting – Chairman Winkler and CEO Cox gave a brief report on the ACES May Board Meeting they attended in Indianapolis.

Date of Next Committee Meeting – Committee Chairman Winkler advised that the Board Risk Oversight Committee will hold their next meeting on Tuesday, June 15, 2021, 10:30 a.m., in the SMECO Headquarters Auditorium and/or Via Zoom.

Capital Projects Committee – Committee Chairman Blair reported that the Capital Projects Committee held a meeting on Tuesday, May 11, 2021, 10:00 a.m., in the SMECO Leonardtown Office Auditorium and/or Via Zoom, and the following report was given:

Transmission and Substation Projects Update - Committee Chairman Blair advised that Transmission & Substation Engineering Manager Hugh Voehl provided an update on Current Projects Under Construction, Projects Completed, Upcoming 2021 Projects, Project Budgets to Date, and

Planned Interconnect Projects.

Solomons Overhead to Underground Conversion - Committee Chairman Blair advised that Project Management & Services Managing Director John Bredenkamp shared a presentation on the Solomons project (formerly known as the Solomons Streetscape Project), which included updates on the project overview, highlights, status, and project notification/coordination.

Southern Region Facility Project Update - Committee Chairman Blair advised that Project Engineer Ryan Schlotterbeck provided a project update regarding the Southern Region Facility. The presentation included Updates on Design, Construction, Project Risks and Hot List, Potential Change Orders, Project Budget, Schedule, and Next Steps. Mr. Schlotterbeck's presentation included many photos showing the progress that has been made on the building since the February 9 Capital Projects Committee Meeting.

- The Power Distribution Units (PDUs), which distribute clean power from uninterruptable power supply (UPS) system to UPS panels, were not delivered as promised. After a few delays in delivery, the new delivery date is scheduled for June 30, 2021. The delays have affected the owner occupancy date as well as the overall project schedule.
- As we continue to complete Phase 1, other list items can be done in Phase 2 in order to minimize the impact to the overall project schedule.
- Employees will be notified of the issue so they are aware of the impact to the move in date previously scheduled for mid-July.
- CEO Cox will continue to keep the Board updated in her Weekly Updates.

Committee on Strategy and Innovation – Committee Chairman White reported that the Committee on Strategy and Innovation held a meeting on Tuesday, May 4, 2021, 1:00 p.m., in the SMECO Headquarters Auditorium and/or Via Zoom and the following report was given:

Discuss Board Strategic Planning Retreat, October 18-19, 2021 – Committee Chairman White discussed the Board Strategic Planning Retreat to be held October 18-19, 2021. It was recommended that the retreat be held at the Engineering and Operations Center Auditorium.

Quarterly Business Review – Committee Chairman White advised that a presentation on the information discussed at the Executive Staff Quarter One Business Review Meeting held on April 23, 2021 was shared. The presentation outlined the status of the Corporate Performance Goals for 2021 (as of March 31, 2021) for both Management and Bargaining Unit. Further discussion ensued on the Strategic Plan and key initiatives status updates for each department.

Updates on Various Projects – Committee Chairman White advised that CSIO Hawkins shared updates on upcoming initiatives and potential projects.

Personnel and Benefits Committee – Committee Chairman Cullins reported that the Personnel and Benefits Committee held a meeting on Tuesday, May 18, 2021, 10:00 a.m., in the SMECO Headquarters Auditorium and/or Via Zoom and the following report was given:

First Quarter Investment Review: Defined Benefit Plan, Defined Contribution Plans – Committee Chairman Cullins advised a presentation by Prudential and Morgan Stanley Representatives was shared. The economic overview was provided and the market performance summary was outlined.

Retirement Plan Employee Engagement - Committee Chairman Cullins advised that Chuck Rosenfield with Morgan Stanley reviewed financial wellness offerings. One on one sessions are being held with Morgan Stanley. The next employee meetings are scheduled for June 2021.

Policy, Audit and Budget Committee – Committee Chairman Phipps reported that the Policy, Audit and Budget Committee held a meeting on Tuesday, May 18, 2021, 12:00 p.m., in the President's Conference Room, third floor Headquarters and/or Via Zoom and the following report was given:

2022 Budget Assumptions – Committee Chairman Phipps advised the 2022 budget

assumptions were presented in detail. The Committee agreed that Staff may proceed with preparation of the 2022 budgets based on assumptions as presented.

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 3-15: Drug and Alcohol Free Policy Statement. 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:

SMECO Annual Members' Meeting Venue – Chairman White shared that the venue for the 2021 Annual Members' Meeting has been secured. The meeting will be held at the Mechanicsville Volunteer Fire Department on August 26, 2021, 6:00 p.m.

Report on 2021 Nominating Committee Meeting – Board Attorney Joseph R. Densford advised the 2021 Nominating Committee Meeting was held on Wednesday, May 12, 2021, 3:00 p.m., at the SMECO Hughesville Headquarters Auditorium. The following candidates were nominated:

CALVERT COUNTY (one seat)

Susan Hance-Wells

Theresa Kuhns

PRINCE GEORGE'S COUNTY

No vacancy

CHARLES COUNTY (two seats)

Jim Berry

Kenneth W. Cross

Kenneth L. Dyson

Deriece Harrington

ST. MARY'S COUNTY (two seats)

W. Rayner Blair, III

William R. Cullins, III

James P. Dell

David B. Richards

Board Attorney Densford advised that the deadline for nominations by petition is Friday, May 28, 2021 at 4:00 p.m.

New Business:

Line 6748 – Ryceville to Chaptico Structure Recommendation - On April 23, 2021, SMECO received proposals for the supply of Tubular Steel Structures for the new six-mile Ryceville to Chaptico Line 6748. SMECO requested proposals from six qualified bidders. On behalf of the Capital Projects Committee, a recommendation was made for the contract to be awarded to MD Henry at an evaluated cost of \$2,060,373.00.

A motion was duly made and unanimously approved to award the bid for materials for the supply of Tubular Steel Structures for the new six-mile Ryceville to Chaptico Line 6748 to MD Henry at an evaluated cost of \$2,060,373.00. A corresponding Board Resolution will be executed by Secretary- Treasurer Brown.

General Refund of Capital Credits - CFO Kennedy provided a presentation to the Board proposing a 2021 Capital Credit Refund Recommendation. The presentation outlined the following three scenarios for consideration:

2021 General Refund Proposal

		<u>Recommended</u>		
		<u>Low</u>	<u>Medium</u>	<u>High</u>
	Percentage	0.97%	0.80%	1.44%
	Balance Payoff	\$100	\$100	\$100
	Minimum Check	\$10	\$10	\$10
Total Margins & Equities 12/31/2020		\$328,995,838	\$328,995,838	\$328,995,838
2021	Estimated Margins	<u>25,751,475</u>	<u>25,751,475</u>	<u>25,751,475</u>
2021	Estimated Margins & Equities Sub-Total:	\$354,747,313	\$354,747,313	\$354,747,313
2021	Less Special Refunds (Estate Retirements)	(1,200,000)	(1,200,000)	(1,200,000)
2021	Less Special Refunds (Debt Recovery)	(1,200,000)	(1,200,000)	(1,200,000)
2021	Less General Refund	<u>(3,098,565)</u>	<u>(4,230,329)</u>	<u>(4,460,760)</u>
2021	Estimated Margins & Equities after Refund Total:	\$349,248,748	\$348,116,984	\$347,886,553
Active Customers - Applied		142,041	142,030	142,059
Inactive Customers - Check		19,836	24,715	30,982
Average Refund Applied		\$15	\$13	\$22
Average Check		\$28	\$79	\$28
Equity Ratio after Refund		36.51%	36.44%	36.42%
2021	Patronage Capital Balance - April Trial Balance	\$289,731,730	\$289,731,730	\$289,731,730

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

National Rural Utilities Cooperative Finance Corporation (CFC) Cooperative System Integrity Fund - CEO Cox reported that she received a letter advising the CFC Board of Directors approved the Integrity Fund Committee's request to seek additional contributions this year. CEO Cox reviewed the options outlined in the FY 2022/CY2021 Participation Authorization form and recommended participation as follows:

- A. Participation Authorization: 5% to be deducted from the CFC patronage capital refund SMECO will receive this year.

B. Use of contribution: Contributions may be used only to support systems facing territorial integrity issues.

The Board approved a 5% contribution to the CFC Cooperative System Integrity Fund, to be deducted from the CFC patronage capital refund for territorial integrity purposes only.

Confirm Date/Time for Next Board Meeting – The next regular meeting of the Board of Directors will be held on Tuesday, June 15, 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 2:30 p.m. (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, Chief Strategy & Innovation Officer (CSIO) Campbell Hawkins, Senior Vice President of Engineering and Operations and Chief Operating Officer (COO) Roger Schneider, Vice President, Human Resources Cindy Rauner, were excused from the meeting).

A motion was duly made, seconded, and unanimously carried to come out of Executive Session at 3:00 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 3:00 p.m.



Fern G. Brown
Secretary-Treasurer