

SUMTER ELECTRIC COOPERATIVE, INC.

VIRTUAL ANNUAL MEETING MINUTES March 28, 2020

The Virtual Annual Meeting of Members of Sumter Electric Cooperative, Inc. was held on the grounds of Sumter Electric Cooperative, Inc., in Sumterville, Florida, on March 28, 2020. The Virtual Annual Meeting was being held instead of the traditional “in person” meeting due to the Public Health Emergency declared by Governor DeSantis and CDC advisories related to the COVID-19 pandemic. The Board of Trustees, senior management and key staff members physically attended (although socially distancing to avoid close contact), but members virtually attended via a livestreaming broadcast and could participate via Facebook messaging, email or telephone.

President Jerry D. Hatfield called the Meeting to order at 10:30 a.m. and welcomed those present and the virtual audience to SECO’s 82nd Annual Meeting.

President Hatfield asked that Kathryn Gloria, Vice President of Corporate Communications and Energy Services, come forward to give the invocation and lead the members in the Pledge of Allegiance to the Flag.

Ms. Gloria gave the invocation and then led the members in the Pledge of Allegiance to the flag.

A video rendition of the National Anthem was played. Ms. Gloria shared that the recorded National Anthem was of Tim Wallace, Manager of Consumer Billing, who also sang the National Anthem at SECO’s 2019 Annual Meeting.

Ms. Gloria introduced the following Trustees and their wives and guests:

Jerry D. Hatfield, President, District 9
Richard H. Dennison, Vice President, District 4 (Wife Suzanne)
William W. James, Secretary-Treasurer, District 8
Gerald B. Anderson, District 3 (Wife Jane)
Scott D. Boyatt, District 1 (Wife Rebecca)
Dillard B. Boyatt, District 2 was mentioned but not present
Ray F. Vick, District 5 (Guest Marilyn)
Earl Muffett, District 6 was also mentioned but not present
Joseph E. Kusiak, District 7

Ms. Gloria mentioned that both Trustee Dillard Boyatt and Trustee Earl Muffett had chosen to not run again in their Districts.

Ms. Gloria also introduced the Cooperative’s Chief Executive Officer, James P. Duncan and his wife Connie, the Cooperative Attorney Scott Gerken and the Sr. Executive Assistant Nora Brown.

Ms. Gloria introduced District 2 Trustee-Elect Joyce Anderson and District 6 Trustee-Elect Michael Muffett and his wife Irene.

Ms. Gloria then invited Board President Jerry D. Hatfield to the podium to Chair the meeting.

President Hatfield appointed Nora Brown, Senior Executive Assistant to the CEO, as Recording Secretary.

President Hatfield closed the voting platform (on-line voting) at 10:39 a.m., so that votes could be tallied and to allow the random selection of prize winners. He advised that prizes would be awarded at the end of the webcast virtual meeting.

President Hatfield then called Secretary-Treasurer William W. James, Jr. to the podium.

Secretary-Treasurer James read the Certification which stated that between the dates of February 14, 2020 and March 16, 2020, he had mailed to each member of the Cooperative with their electric bills, a notice of the Annual Meeting of the Members of the Cooperative, March 28, 2020, by depositing such notice in the U.S. mail.

President Hatfield, returning to the podium, addressed the members and thanked them for their tuning-in to the Annual Meeting. He expressed the Board's appreciation to the employees for making the Annual Meeting a success.

He shared that per Florida statutes cooperatives are required to hold an Annual meeting and that during that meeting the cooperative is required to meet a quorum in order to conduct official business.

He shared that with the help of a Bylaws revision the members passed last year, achieving a quorum was now more efficient and inclusive, sharing that we can now count member participation in voting on Annual meeting business electronically, by phone, in person or by mail as part of the quorum.

He shared that member voting participation had helped SECO to achieve a quorum at the meeting, even under the unusual circumstances of Coronavirus and a Virtual Annual Meeting. He again thanked the members who cast their votes.

He advised that every member who voted is entered in the prize drawing and to stay tuned until the end of the meeting for the prize drawing.

President Hatfield then stated that on behalf of the entire SECO Board, he wanted to thank the membership, stating that the nine-member Board of Trustees is elected by the membership.

President Hatfield explained that the Board sets the policies and approves the budgets that guide the Cooperative, and that the CEO and his Senior Staff manage the Cooperative under the policies.

He stated that SECO's goal is to provide the members with affordable, reliable energy for years to come.

In closing, he shared that the members would learn about how SECO controls costs, maintains its infrastructure and supports the communities it serves - from the next presenter.

President Hatfield then introduced SECO's CEO - James Duncan.

CEO Duncan welcomed the members to SECO Energy's 82nd Annual meeting and SECO's 1st Virtual Annual Meeting.

He stated SECO decided to significantly change the format of the on-site Annual Meeting to a Virtual Only Annual Meeting in response to CDC advisories to protect against the spread of Coronavirus.

CEO Duncan stated that avoiding large crowds appears to be a key precautionary measure, so shifting to a Virtual Only Annual Meeting was the right choice this year to protect our members and employees. He also shared that the folks who were present were following social distancing guidelines.

He thanked the thousands of members who voted online, by mail or on the phone - and stated that they might just win one of the 96 great prizes that are up for grabs – all from the comfort of their home.

He invited those tuning in virtually to reach out to us today with questions or comments - via our special email address, phone number or by Facebook. He shared that there are employees standing by to interact with members, and to respond to questions.

CEO Duncan spoke about the theme of the Virtual Annual Meeting – “20/20 Vision” stating it ties perfectly with this year's virtual meeting format.

He shared that our Cooperative has 400+ employees who are committed to our members and that SECO's purpose is to provide exceptional service to our members, co-workers and communities.

He shared SECO's values which are: Member Commitment, Honesty and Integrity, Safety, a Strong Work Ethic, Teamwork and Open Communication – and that the SECO's Purpose and Values are the cornerstones of ensuring affordable, reliable electric service to our 200,000 plus members.

He stated that the employees strive to earn J.D. Power trophies and high ACSI scores because these mean you are happy with our service and stated that he applauds our employees' commitment to member satisfaction, hard work and dedication.

(At this point a video played regarding SECO's 19 ways to pay)

CEO Duncan then, following a yearly tradition, stated he would like to honor the branches of service at which time the flag for each branch of service was shown on the screen and a small portion of the theme song for each branch of service was played.

CEO Duncan thanked all for their service – past or current.

He also asked that the Lake Weir High School Jazz Band be recognized for their renditions of the service branch theme songs.

Then he asked that everyone recognize the dedicated first responders who have chosen a life of service to protect us.

He also asked that we recognize retired or active law enforcement officers, corrections officers, firefighters, dispatchers or EMS personnel.

CEO Duncan stated that, even though they were introduced earlier, he would like to pay tribute to our Trustees for their service and to acknowledge the two new Trustees-elect that will officially begin their roles at the adjournment of this Virtual Annual Meeting.

He stated that in 1991, at his first Annual Meeting as CEO, he introduced what would be the guiding principles for the Cooperative – the three “R’s” - Rates, Reliability and Responsibility.

CEO Duncan stated that he would like to take a moment to recognize the Senior Staff's commitment to the three R's which has resulted in the outstanding operating and financial results. He then went on to introduce each Senior Staff member as follows:

Ben Brickhouse, Vice President of Engineering, who after 32 years of service is retiring in June. CEO Duncan wished Ben and his wife Dale the very best.

CEO Duncan reminded that he had already announced that Mike White, a current manager in Engineering, who will officially transition to Ben's role on May 1.

He stated that the members had previously met Recording Secretary Nora Brown, stating she is also my Senior Executive Assistant who has the challenge of keeping him and the Board straight.

He also stated the members had already met Kathryn Gloria is our Vice President of Corporate Communications & Energy Services, who has done a phenomenal job of pretty much “on the fly” coming up with how to have a Virtual Annual Meeting.

Gene Kanikovsky, the individual who keeps all our money straight, SECO’s Chief Financial Officer.

John LaSelva is our Vice President of Operations, his group is responsible for building, maintain and restoring our facilities - a huge responsibility.

And Gregg Morrell is our Vice President of Corporate Services & Human Resources, overseeing Fleet, Call Center, Front Counter, Facility Services, as well as H.R. – he also has a lot of responsibility.

(At this point a video on SECO employees’ generosity was shown)

CEO Duncan shared that the video that just played shares only one of SECO’s initiatives that promote corporate responsibility. SECO employees give generously to the annual U.S. Marine Toys for Tots campaign.

He went on to share that for decades, SECO employees have pledged a portion of their earnings to local United Ways and that next year the cumulative giving by our employees should cross the \$1 million mark in donations.

Next, he shared that SECO employees fundraise annually for Relay for Life to benefit the American Cancer Society and that the 2019 golf tournament and other fundraisers netted over \$26,000.

CEO Duncan than spoke about the real reason SECO is in business – the member’s energy needs. He shared the following financial information:

- Last year, you and your fellow members consumed almost 3.5 billion kilowatt-hours, which is an increase of 51 million kilowatt-hours over 2018. That is a healthy growth rate.
- That growth demonstrates our ongoing need to maintain existing facilities and expand to meet increasing power demand to promote reliable service while controlling costs to keep rates affordable.
- Our 2019 bottom line margins were \$16.3 million, which was about \$3 million over budget. Those types of numbers keep our bankers and our financial investors happy. That is another healthy increase that keeps our bankers and CFO happy.
- SECO’s investment in facilities to serve members is approaching the \$1 billion milestone.

- At year-end 2019, Total Utility Plant was valued at \$918 million, which is an increase of \$39 million over 2018.
- That is about \$3.3 million per month to improve reliability to existing members and build new infrastructure to meet increasing demand.
- SECO added 6,189 new services – a 20 percent increase over 2018.
- This brings our total active service count to 210,815. A co-op of our size, sales and growth rate is rare.
- The median size of the 900 cooperatives across the country is about 13 thousand services. To put it in perspective, every two years we add enough members to equal the median size of a typical co-op.

CEO Duncan stated SECO is pretty special. We have grown into a regional utility and are proud that our communities are growing. A significant portion of our growth is attributed to The Villages expansion in Sumter County, but other counties are growing as well.

43% of the growth is in Sumter County

33% of the growth is in Lake County

21% is attributed to Marion County

3% in our other counties.

He also shared that keeping up with that growth and maintaining a system this size is not cheap and that Total Expenses for 2019 equaled \$134.1 million, which was over budget by about \$2 million because of over \$5 million spent in preparation for Hurricane Dorian.

CEO Duncan then mentioned that last September, Hurricane Dorian churned in the Atlantic as a Category 5 and looked like it would spin through the heart of our service area as a Category 3 and that if Dorian had not stayed offshore, the destruction would have been on a level with Hurricane Irma or worse.

He shared that SECO had no choice but to prepare for the worst and hope for the best. We dodged the bullet this time but are always working to maintain our system through storm hardening efforts that increase reliability.

(At this point a video played regarding Hurricane preparedness)

CEO Duncan shared that if an outage is detected at your location, StormCenter will proactively notify you by email, text or voice message or all three.

He advised the members that before storm season arrives, they should choose their preferred form of notifications and program their “do not disturb” times so that a middle-of-the-night outage does not disrupt their sleep.

He shared that members could also visit Facebook and Twitter for outage information and company news and stated that for those who prefer to call instead of using the Internet, we have good news. Last year, SECO began planning for the launch of our new Interactive Voice Response (IVR) phone system which provides, among other options:

- The system uses NLU - natural language understanding - through a virtual assistant who can handle fully automated billing inquiries and payment arrangements.
- Members can call to report a new outage or check the status of an existing outage and receive details about estimated time of restoration, crew status and cause.

He also shared that a future IVR phase will include a virtual assistance that can handle high usage inquiries, meter re-reads, connects, disconnects and transfers and that the system also provides the option of a callback rather than waiting on hold during the high call volume that can occur during storm-related outages.

He also touched on the subject of tree trimming, stating it is a “must” to reduce unexpected outages during storms, and that keeping the trees trimmed boosts reliability during normal operations.

He joked that when it’s time to trim the trees and the sun is shining, those trees belong to “you” (the member), but that when a storm blows through and the trees fall in a member’s driveway, the member will call to find out when SECO will be moving “*our*” tree out of the way.

He shared that SECO has tree trimming scheduled across our service area this year and keeping pace with Florida’s long growing season is a challenge. He also shared that SECO has doubled the annual tree trimming budget in just three years from \$9 million in 2017 to \$18 million budgeted in 2020, and that this increase allows SECO to target trees posing a risk to reliability and to reduce tree-related outages.

CEO Duncan stated that along with corporate responsibility, we encourage members to practice responsible energy usage. SECO is an advocate for members who want to reduce their utility-supplied power use by investing in their own solar systems.

He shared that our PSC-approved rate structure fairly compensates solar members, but not at the expense of members who don’t add solar, and that currently, we have about 1,600 members with a system that is interconnected with SECO’s electric system.

He warned the members that too often, contractors promise that solar eliminates electric bills and provides power during a utility outage and that these claims are false unless a member goes completely off grid and foregoes utility power as a backup, stating that only those with robust battery storage can do so effectively and it's quite pricey to do so.

He advised the members that a trained SECO technician can assess their home, without charge, to determine its conduciveness to solar.

He stated that company-wide, we believe it is our responsibility to present members with facts about solar production, rates and return on investment, and that SECO will not try to discourage your interest and will provide an unbiased perspective before you invest.

He shared that recently SECO surveyed nearly 90,000 members for their interest in electric vehicles and that we received nearly 7,000 responses with interesting results:

5% of members already own an EV.

34% indicate interest in an EV in the future.

42% think SECO should promote and support the use of EVs in our service area.

65% of respondents indicated interest in an EV if they could charge during off-peak hours for a reduced rate.

He spoke about Automated Metering Infrastructure (AMI) – sharing that in order to offer off peak rates in the future, we must first invest in AMI – better known as *smart* metering. We are evaluating costs and vendors to select the appropriate technology for a phased implementation. The recommendation will be presented to the Board in the coming months.

Next he spoke about SECO's 2019 ACSI survey score – which came in at a very impressive 90, sharing that this is a one-point increase over our 2018 score, and that a 90 is simply phenomenal in the energy industry - or any industry for that matter.

He shared that IOUs and Munis averaged 73 and all Co-ops averaged 75 and that among Fortune 500 companies SECO is also a winner. Our 90 beats Hershey's and Lexus at 84, and Amazon and Coca-Cola at 81, we scored higher than Bank of America and Blue Cross Blue Shield, and joked that it is quite an accomplishment to be better than chocolate, luxury cars, a soda conglomerate *and* Amazon.

CEO Duncan reminded the members that we were awarded the J.D. Power trophy for customer satisfaction in 2015, 2016 and 2017 - our Triple Crown and that in all three years, our score was not only the highest among co-ops, it was the highest in the nation among all utilities surveyed.

He shared that though our overall satisfaction score remained in the running in the following year, Hurricane Irma took a toll on our results.

He talked about how in 2019, J.D. Power transitioned to a calendar year beginning in 2020 and that J.D. Power did not award a trophy for the 2019 calendar year but did share scores. SECO's was an impressive 808 and had a trophy been awarded it would have been ours.

He shared that SECO, again, was the highest-ranked utility in the nation and that trophy or not – every SECO employee is committed to world-class reliability, member satisfaction, safety and affordability.

He stated that SECO employees are firmly committed to earning the members' loyalty – and he shared the employees' motto – which is:

Every Minute - Every Moment - Every Member Matters.

CEO Duncan then moved on to honoring our retiring Trustees, sharing that as explained during introductions, District 2 Trustee Dillard Boyatt and District 6 Trustee Earl Muffett chose to not to seek re-election.

He stated that Mr. Boyatt and Mr. Muffett were unable to join us today, but that he and SECO would still like to honor them during this meeting.

CEO Duncan shared that Mr. Boyatt and Mr. Muffett were newly elected Trustees in April of 1990 and were on the Board that promoted him to CEO. He stated that he has a special fondness for these two gentlemen and addressing Mr. Boyatt and Mr. Muffett – he thanked them for their advice, their guidance and also for their respective thirty years of dedicated service to the Board and to their fellow members as Trustees.

Next, CEO Duncan stated it is time for our Cooperative Attorney Scott Gerken to come forward and announce the voting results.

Attorney Scott Gerken took the podium at this point and stated that, as Mr. Hatfield and Mr. Duncan had referenced, a member-approved Bylaws change now gives SECO the flexibility to conduct electronic and by mail voting.

He shared that voting had been closed at 10:39 a.m. as the meeting began today and that he had certified the voting results.

Attorney Gerken stated that there were an outstanding 7,895 total votes and the member votes for the most recent Board-recommended, Bylaws Revision were as follows:

7,320 Voted YES 198 Voted NO 377 Abstained.

Attorney Gerken stated that based upon the votes the Bylaws Revision was overwhelmingly approved by the membership.

Attorney Gerken stated the member votes for Approval of the 2019 Annual Meeting Minutes were as follows:

7,484 Voted YES 39 Voted NO 372 Abstained.

Attorney Gerken stated that based upon the votes the 2019 Annual Meeting Minutes were overwhelmingly approved by the membership.

He thanked all who voted and played a part in the cooperative's democratic process.

Attorney Gerken, moving on to old business and new business – stated this is a normal part of the agenda that takes us into the Q&A for the member engagement portion of the meeting, and he turned the meeting back over to CEO Duncan.

CEO Duncan thanked Attorney Gerken and those members who voted.

He stated that SECO's phone, email and Facebook panel (to his left) had reported that we indeed have questions to field.

He shared that for those watching at home, members could still call us at (352) 329-MEET or send a message on Facebook or email SECO2020AM@secoenergy.com and that if we don't get to your question during our timeframe, we'll be sure to get back with you next week.

CEO Duncan opened the floor to questions, and he received and responded to six questions and one comment from the membership.

CEO Duncan then stated that he was told we are running short on virtual time and need to wrap up the questions to leave enough time for announcement of the prize drawing winners.

He stated again, there are 96 great prizes up for grabs and all members who voted on Annual Meeting business are entered to win.

He thanked the audience for their patience and understanding with today's event - held virtually in the interest of public health.

He reiterated that the membership's wellbeing was the highest priority as we made the decision to go virtual and the continued health of our employees is critical to keeping our system up and running.

He thanked everyone again for tuning in, stating it was now time to adjourn the meeting and let the prize drawing begin.

CEO Duncan entertained a motion to adjourn the 2020 Virtual Annual Meeting at 11:18 a.m. The motion was made, seconded and approved by the members present.

President

Secretary