

# **Board Responsibilities and Obligations: An Introduction for Potential Board Directors of Cobb EMC**



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### Attachments

- Policy 601
- Policy 602
- Policy 608
- Cobb EMC Bylaws

## 1. Background & Purpose

This document has been prepared for those member-customers who are interested in serving on the Board of Directors (BOD) of Cobb Electric Membership Corporation (Cobb EMC). It is meant to orient you to Cobb EMC and how the Board operates. It will also provide information about the role and responsibilities of each board director.

The Cobb EMC board has term limits, and each board director may serve a maximum of four full terms at three years each, for a total of 12 years. The term limits and the term baseline were approved by the membership and established as of 2014. The CEO reports to the Board of Directors, all other employees report to the CEO. The Board's role is to provide oversight and governance to the CEO and senior staff (VP and C-level executive employees) with various key activities:

- Assist in developing and approving strategic plans
- Approve each year's operating and capital budgets
- Provide financial oversight (fiduciary responsibility)
- Resolve legal issues working with the corporate attorney
- Accept and approve the annual financial report
- Provide input and comments to departmental plans
- Approve power contracts (Power Purchase Agreements)
- Appoint representatives to the Cobb EMC Foundation and the Credentials and Elections Committee
- Approve revising policies and bylaws or presenting to members as needed
- An Internal Auditor provides quarterly reports to the Audit Committee which in turn reports to the BOD
- Oversight of succession planning process for critical positions

There are nine board directors, representing each of the nine districts in Cobb EMCs service area. The EMC is regulated by its member-elected directors.

## 2. About Cobb EMC and Some Statistics

Cobb EMC was formed in 1938 as an electric utility with 489 residential members and 14 commercial accounts. At that time, the service area was largely rural, but today, as the metro Atlanta area has grown, the EMC has become a suburban utility.

Being a suburban utility makes Cobb EMC different. Cobb EMC serves more than 200,000 residential and commercial customer-members making it one of the largest EMCs in Georgia and the nation. Many electric cooperatives, especially in rural areas, may find their customer count per mile is around five or six. The number of customers per mile at Cobb EMC is 23. It has assets totaling \$1.5 billion dollars and annual consolidated revenues of approximately \$1.8 billion. Cobb EMC's service territory includes parts of the following counties: Cobb, Cherokee, Paulding, Bartow, and North

Fulton. The annual growth rate, like most utilities in the United States, is around one percent per year.

Cobb EMCs assets include substations, transformers, switchyards, the corporate headquarters, warehouse, supporting buildings and equipment, power lines, and a fleet of bucket and service trucks. Cobb EMC has 375 employees and a number of external firms providing contract services.

One of the key factors in demand for power is the weather. In the summertime, power and energy demand is very high, which contributes to higher electric bills and revenue. In the winter, the opposite is true, and the company may experience insufficient margins during this season. Member-customers expect a high level of reliability (i.e., few power outages) and at the same time reasonably priced power. Currently, Cobb EMC is No. 2 in the nation for reliability of service and in the top five for low electric rates in Georgia (out of 94 electric providers).

Cobb EMC does not own any power plants or generate electricity. It purchases power, through long term power contracts, from Oglethorpe Power Company and Southern Power. Oglethorpe Power provides power to many of Georgia's EMCs, including Cobb EMC. In Cobb EMCs case, the utility also purchases peaking power from Southern Power.

The company is financially stable due to strong executive leadership and board oversight. Cobb EMC is a not-for-profit organization that is owned by its member-customers. If the utility has excess margins (that is, a profit), it returns that money to its members in the form of a capital credit. If the margins are insufficient to cover its operating expenses and capital expenditures, a rate increase may be needed to increase margins on a temporary or permanent basis.

### 3. Gas South and Its Relationship to Cobb EMC

Gas South is a wholly owned subsidiary and asset of Cobb EMC. It became a part of Cobb EMC in 2006. Unlike Cobb EMC, Gas South is a for-profit entity and a natural gas marketer. It serves customers in a highly competitive market. In 2020, Gas South purchased Infinite Energy and significantly increased its customer base. The current customer count is approximately 425,000 across Georgia, Florida, South Carolina, North Carolina, Texas, New Jersey, and Ohio. The majority of these customers are in Georgia and Florida. The total employee count is approximately 400 people.

The profit that Gas South makes is provided to Cobb EMC yearly in the form of a cash payment ("dividend"). This is a significant amount annually and these funds assist Cobb EMC in keeping electric rates low and offsetting the costs of infrastructure development.

Weather can play a role in Gas South's seasonal costs and revenues. In the colder winter months, the demand for gas increases as do revenues. In the summer months, demand decreases as do revenues. This compliments Cobb EMC as their revenue cycle is the

opposite, when summer weather is hot, one increases its revenue while the other makes less revenue, and vice versa in winter. Because Gas South has a large C&I (Commercial and Industrial) base of customers, the weather does not have as large an impact as with Cobb EMC.

Gas South, as “a fuel for good,” gives back 5 percent of its profits to help children in need. Further, Gas South has provided dividends to Cobb EMC in excess of \$200 million.

This is an exceptional arrangement, and few electric coops have this type of ownership structure. This is highly beneficial to both companies, and in turn highly beneficial to the customers of both companies. Because the natural gas market is deregulated in Georgia, one can choose which gas marketer to serve their home or business. Cobb EMC members can get a discount by choosing Gas South as their natural gas marketer.

Gas South has a Management Committee or MCOM (similar to a board of directors) which is composed of the Gas South senior leadership team, and the CEO. Five members from the Cobb EMC board also sit on the MCOM. Additional MCOM members include the CEO and CFO of Cobb EMC. The Gas South MCOM, similar to Cobb EMCs board, provides oversight and governance. The Chairperson of MCOM is always a director from Cobb EMC.

#### 4. Duties and Obligations of a Board Director

The responsibilities of each board member go beyond attending the monthly Board meeting. The time commitment per month will vary, but each director is expected to be prepared for each meeting. Directors should plan on appropriate preparation time. Board directors also attend the Budget & Finance Committee meeting and other meetings as necessary. Each board member will be assigned on average to two or three committees, which meet regularly. The table below list the committees, representative organizations, and approximate times for each meeting.

**Cobb EMC Board and Committee Meetings**

	<b>Committee/Meetings</b>	<b>Meets</b>	<b>Hours</b>
1	Board Meeting	monthly	4 to 7 pm
2	Budget & Finance Meeting	monthly	4 to 7 pm
3	Energy Portfolio Committee	Bi-monthly	5 to 7 pm
4	Audit Committee	As needed	5 to 7 pm
5	Public Affairs Committee	Bi-monthly	5 to 7 pm
6	Governance Committee	Bi-monthly	5 to 7 pm
7	Technology & Fiber Committee	Quarterly	5 to 7 pm
8	Human Resource Committee	Monthly	5 to 7 pm
9	Gas South MCOM Meeting	monthly	8 to 12 am

**State and National External Organizational Meetings\***

	<b>Representative Meetings</b>	<b>Meets</b>	<b>Hours</b>
1	Green Power Meeting	Quarterly	8 am to noon

	Representative Meetings	Meets	Hours
2	OPC/GTC/GSOC	Quarterly	5 to 7 pm
3	Georgia EMC	Annually	One full day
4	SMARR	Quarterly	9 to 2 pm
5	NRECA (usually 2 to 3 days)	Quarterly	8 am to 5 pm
6	Cooperative Finance Corp (CFC)	Quarterly	8 am to noon
7	Federated	As needed	Varies
8	National Coop Services Corp (NCSC)	As needed	Varies
9	National Rural Telecom Council	As needed	Varies
10	CoBank (regional & national meetings)	Varies	Full day

\*Not all board members serve on each external group. These are divided among directors. A per diem is provided to directors for board meetings and committees to which they are assigned. Cobb EMC Board members, if serving in leadership in these groups, may find significantly greater calls on their time.

Policies 601, 602, and 608 are attached and describe the above committees and director responsibilities in more detail.

**Certification** – Each Board director is expected to become a “Credentialed Cooperative Director” within 18 months of joining the Cobb EMC Board. This is a series of courses provided by NRECA (National Rural Electric Cooperative Association). Most courses are conducted during weekends and usually at out-of-town conferences. A per-diem is paid to the director plus all expenses relating to travel and course fees.

A second credential is the “Board Leadership” certificate from NRECA. This involves additional courses.

Currently, Cobb EMC is one of four EMCs in the country with all directors certified. Cobb EMC was also the first to have all of its directors certified at the Board Leadership level through NRECA.

The third level of certification is “Gold.” This is not required, but most directors choose to obtain this credential which also requires additional courses.

**Continuing Education** – To maintain the “Gold” level certification, directors must take continuing education courses, through NRECA. These are generally offered at conferences and are paid for by Cobb EMC (Per diem, expenses, and course fees).

**Attendance at Conferences** – Each director is expected to attend a variety of conferences each year. This provides the opportunity to network with other EMC directors and learn about the issues facing not only EMCs, but the utility industry in general. All travel expenses, conference fees, and the per diem are paid by Cobb EMC. Directors are encouraged to select the conferences they wish to attend. One is not required to attend all conferences. Conferences include:

**NRECA** – National and regional conferences in a variety of locations.

**Georgia EMC** – One per year. Usually held at a location in Georgia.

**Georgia Directors Association** – One conference per year in Georgia.

**CoBank** – One of the banks that offers financing to Cooperatives nationwide. They provide conferences several times per year in a variety of locations.

**CFC** – Another financial institution that provides financing to electric cooperatives nationwide. They offer multiple conferences each year in a variety of locations.

## **5. Board Director Prohibitions**

- Each board director is required to act ethically and in the best interest of member-customers, Cobb EMC, and its employees. Each director is required to sign an annual document attesting that they are not in a conflict-of-interest situation.
- Board directors cannot serve in any political office that pays a fee or salary. If one wishes to run for political office, he or she must first resign their board seat.
- Similarly, directors are not to use their position as a platform to increase their own business prospects or revenues.
- A director cannot be employed by, or seek employment, with Cobb EMC or affiliated companies.

## **6. COBB EMCs Mission and Seven Cooperative Principles**

### **Cobb EMCs Mission:**

- Reliable, safe electricity,
- Rate competitive,
- Robust governance,
- Relevant services,
- Recognized employer

### **Seven Cooperative Principles:**

Each Electric Cooperative in the nation, including Cobb EMC, is dedicated to following the seven Cooperative principles:

#### **1. Open and Voluntary Membership**

Membership in a cooperative is open to all persons who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

## **2. Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Elected representatives (directors/trustees) are elected from among the membership and are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.

## **3. Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

## **4. Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

## **5. Education, Training, and Information**

Education and training for members, elected representatives (directors/trustees), CEOs, and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, helps boost cooperative understanding.

## **6. Cooperation Among Coops**

By working together through local, national, regional, and international structures, cooperatives improve services, bolster local economies, and deal more effectively with social and community needs.

## **7. Concern for the Community**

Cooperatives work for the sustainable development of their communities through policies supported by the membership.

As a commitment to our community, Cobb EMC provides:

- Cobb EMC Foundation – Over \$7 million dollars has been given to nonprofit charities since the Foundation's inception. The foundation also provided 14 scholarships (\$5,000 each) in 2022.



- Cobb EMC has provided over \$600,000 in scholarships
- Cobb EMC has sent 78 rising student leaders to the Washington DC Youth Tour
- Board directors have also provided their personal time to Habitat for Humanity, Cobb EMCs recycle day, and other worthwhile events.

## **7. Our Way Corporate Culture**

Cobb EMC has developed a corporate culture designed to instill our employees with company values:

- Put People First
- Stay Safe
- Innovate
- Own it

We hope this document has been beneficial as you seek a position on the Cobb EMC Board. Should you have any questions, please contact Ms. Kristen Delaney at 678-355-3035

