

REGULAR MEETING OF MEMBERS OF THE BOARD

November 28, 2022

A regular meeting of the members of the Board of Trustees of Fairfield Electric Cooperative, Inc., was held on Monday, November 28, 2022, at 12:30 p.m. at the cooperative headquarters in Blythewood, South Carolina. The following board members were present:

Mitchell D. Rabon	Robert Entzminger	Peggy D. Swearingen
Timothy L. Hopkins	Cynthia Able	Derial L. Ogburn
John E. Roberts, III	Donald Keith Lewis	Robert K. Miles
Michael Good	Bruce E. Honeycutt	

Attorney John DuBose was present.

President Mitch Rabon called the meeting to order. Robert Entzminger gave the invocation.

The October 24, 2022, regular meeting and the October 18, 2022, Special Board Meeting minutes were approved as presented upon motion made by Timothy L. Hopkins, seconded by Donald Keith Lewis, motion carried.

Upon motion made by Donald Keith Lewis, seconded by Timothy L. Hopkins, motion carried, 244 new consumers for the month of October were accepted as members of Fairfield Electric Cooperative, Inc.

A list of delinquent accounts totaling \$1,347.88 for the month of October was presented for consideration for write off as uncollectible. Upon motion made by Bruce E. Honeycutt, seconded by Peggy D. Swearingen, motion carried, authorization was granted to write these off against the cooperative's reserve for uncollectible accounts.

A list of deceased patron's estates requesting payment of their capital credits was presented for consideration. After discussion and upon motion made by John E. Roberts, III, seconded by Cynthia Able, motion carried, the following resolution was adopted:

The estates of 16 deceased members have requested the Board of Directors give consideration to approving the retirement of \$8,827.26 as an administrative convenience to the estates. After reviewing the Cooperative's financial statements and determining such retirement will not adversely impact the Cooperative's financial condition, management recommends capital credits totaling \$8,827.26 be approved for payment. In addition, it should be noted that such approval does not obligate this Board or any future Board to retire the capital credits of the estates of deceased members presented at any future date.

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Bruce Bacon reviewed and discussed the financial reports for the month of October with the Board.

Bruce Bacon reported Operation Round Up's board will have their next meeting on December 12, 2022.

Bruce Bacon provided updates on security system sales and service and reported auditors began preliminary work and inventory during the second week of November. Bruce Bacon reported that the ORS audit was conducted and that FEC is in compliance with the guidelines. It was suggested that the Trustee's compensation be disclosed on the web-site as to keep up with transparency. It was reported that the \$2.5 million deferred revenue plan will appear at the end of the year.

Mitch Rabon reported that there are no changes to the 2023 Proposed Budget. Upon motion made by Derial L. Ogburn, seconded by Cynthia Able, motion carried, the 2023 Proposed Budget was approved by the Board.

Keith Lewis reported construction of the Winnsboro Office building continues to progress. Mr. Lewis reported that the interior work and painting is about 99% complete. Electrical and light fixtures need to be installed as well as the cabinets. The fence behind the building is up. The new sign is up as well. The window for the drive-thru needs to be installed and coordinated with the driveway elevation to achieve the proper window height. Mr. Lewis reported that there is an aesthetic concern on the building as to the framing of the window of the bathroom. It appears this projection is not consistent with the appearance of the other windows. Bruce will review this design element with the builders as to a possible solution. Other than that, Mr. Lewis reported that the office building is progressing well.

Mitch Rabon and Bruce Bacon provided updates on Central Electric and the pending lawsuit as to governance of Central. Mr. Rabon reported that the Chairman of Central Electric has contacted Mitch Rabon by phone as a courtesy regarding discussions at board meetings and requested that Mr. Rabon limit comments and discussion during Central meetings. Mr. Rabon has responded by email. Mr. Rabon reported that Central Electric plans to take steps to raise equity of Central and to effectuate a lending program available to member cooperative. Both proposals will require that Central collect millions of dollars from the member cooperatives and may increase rate to cooperative consumers. Mr. Rabon recommends that the electronic emails be read into the Minutes subject to pending legal review and redaction of confidential/privilege information. Upon motion made by Mitch Rabon, seconded by Derial Ogburn, motion carried, the electronic emails will be included in the November 28, 2022 Minutes (attached pending legal review and redaction of confidential/privileged information).

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Derial Ogburn provided an update on The Electric Cooperatives of SC. Mr. Ogburn reported that he and Bruce Bacon voted no to the budget. Mr. Ogburn reported that at the meeting in Greenville on December 8, 2022, he will review the Minutes to confirm that he and Bruce Bacon's no votes are in the Minutes. Travel packages were provided to those attending the upcoming ECSC Winter Conference /Annual Meeting.

Robert Entzminger provided an update on CEEUS. Mr. Entzminger reported that it is basically the same and there has been no change.

Tim Hopkins provided an update on the Trustee Association Advisory Board meeting. Mr. Hopkins reported that the meeting on October 18, 2022 in Walterboro. Mr. Hopkins reported on the budget of \$30,000.00 less expenses for the Spring 2022 meeting, t-shirts, refund of registration fees leaving a balance of \$16,148.00. Mr. Hopkins reported that the next spring conference for Trustee Association Advisory Board meeting will be held near the end of April first of May (around Easter) in Charleston.

Old Business: Mr. Rabon reported that he and Bruce Honeycutt had a meeting with the auditors via Zoom on November 17, 2022. It was discussed that Mr. Rabon seeks to get approval from the Board to appoint Bruce Honeycutt to the Audit Committee. Upon motion made by Derial L. Ogburn, seconded by Cynthia Able, motion carried, Bruce Honeycutt is approved and appointed to join the Audit Committee.

New Business: Mr. Hopkins stated that he wanted to thank Mitch Rabon and Bruce Bacon on their continued progress with Central Electric. Mr. Hopkins also voiced his appreciation for Bruce Bacon and that the Trustees offer their support for Bruce Bacon.

Upon motion made by Cynthia Able, seconded by Mike Good, motion carried, the board moved into executive session. At the conclusion of executive session, and there being no further business to come before the Board, and unanimously approved, the meeting was adjourned.

Signed: _____
Robert K. Miles, Secretary
APPROVED

ATTEST: _____
Mitchell D. Rabon, President

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November 28, 2022

ATTACHMENT
Electronic Correspondence With
Central Electric Power Cooperative, Inc.

From: Mitch Rabon <mrabon@earthlink.net>
Date: November 26, 2022 at 8:56:28 PM EST
To: Paul Basha <paul.basha@yorkelectric.net>, Mitch Rabon
<mrabon@earthlink.net>

Subject: Follow up to your phone call on November 22, 2022

Paul Basha
York Electric Cooperative
P. O. Box 150
York, SC 29745

Mr. Chairman
Central Electric Power Cooperative

Thank you for contacting me by phone on Tuesday. After thinking about your comments I would like to follow up with your recommendation that we continue the conversation at an appropriate time. You suggested that I could respond to your observations when we attend the SCEC in Greenville. This is a good suggestion so please view my comments in this correspondence as constructive subject matter for our next conversation.

My initial reply is only to assure you that I will help you accomplish your goal as Chairman of Central Electric to the extent that they align with the interest of Fairfield Electric. As a Trustee of Central I believe that good governance, transparency, and effective communication should be our priority.

During your call, you suggested that the process would be better served if most of my questions could be answered by the leadership prior to the actual formal meeting. You explained that you and your staff would always be available and open to questions. You were polite to note that I should be aware that some "eyes were rolling" and therefore you were giving me a personal call.

After hearing your initial comments concerning the time constraints, please understand that I did not realize that you would prefer that we solve most of the issues outside of the official meeting. Talking to you directly has helped me understand the challenges that you face as Chairman. I will agree we can improve our communications and I will help you in every way possible.

Thank you for your encouragement of my past efforts to engage the forum with relative questions from my point of view as a Trustee for Fairfield Electric. I was surprised to hear your assessment that some of the other Trustees may feel that they may not have enough time to express themselves

ATTACHMENT CONTINUED

within the allotted time of the meeting. In clarification I asked you specifically if my interaction at the last meeting was precise and germane to the decisions that we were asked to support. I asked you for your personal opinion as to whether or not my interaction was being viewed as unnecessarily lengthy, uninformed, or untactful. You assured me that they were not. You explained that you had not received any report from other Trustees or Staff expressing those views. You did ask for my cooperation by helping you and the other leaders address my inquiries in a different format other than the official meeting. You explained that the meetings were scheduled with precise time limitations, and you needed my help to facilitate the process.

In past conversations you have further explained that many of these important issues are discussed at the committee level. As you know I only serve on the Engineering Committee and have little opportunity to interact on most financial issues other than during the official meeting. I do receive information from the other Committees but I have no input to the discussions. Most Trustees only serve one Committee and only receive the agenda a short time before the official meeting. I will agree with you that we are required to process volumes of information and we may need to create more avenues for transparency.

Your call for limited discussion during the actual meetings and your request that concerns be addressed in a more private setting would certainly be an option if those methods of communication find a path to productive discussions. As you know, I have continued to express my concerns about the plan to increase rates to our Cooperatives an additional eight million dollars per year for the next seven years in the effort to increase the equity levels of Central. I also expressed concerns regarding the proposal to add an additional ten million dollar lending scheme that would enable Central to finance loans to Cooperatives outside of regular financial sources. I am respectful that some Trustees believe that easy credit from Central in the name of economic development is a reasonable function, but I felt it was my obligation to explain to them that Fairfield had serious concerns about the necessity of Central entering a new credit business. With further concern I have since learned that a few of the other Cooperatives may have limited the routine sources of credit because of low equity levels. This new effort would facilitate Central but would have no benefit to my Cooperative. Good or bad, all of these recommendations were approved even though a few other CEO Trustees expressed concerns. It would make sense that you have called them to discuss your concerns about time constraints as you have expressed to me. If not, may I suggest that they be invited to a conversation in Greenville.

In a full effort to show your support for full transparency, please feel free to forward this correspondence to all Central board members.

As I reflect on your remarks, I get the distinct feeling that you do not agree with my open objections to the new Business Plan. Specifically, I have concerns that the new Business Plan will increase the operational budget of Central in the range of \$60 million to \$100 million for the period 2019-2025. Fairfield Electric is concerned about the added cost to our members and we believe that this new business model may increase our rates. We have not

ATTACHMENT CONTINUED

seen any forecast to the contrary. We do not believe that our members would approve of the continual and incremental expansion of Central Electric especially after the current rate freeze expires in 2024. It appears that this is a bad time to increase rates. Most importantly, we believe that the new Business Plan lacks specificity. It appears to me that Central has not explained a clear path that would reduce our rates other than the vague promise that a portfolio plan outside of Santee Cooper would hedge against the risk of a single large provider.

I attempted to explain the concerns of my Board that the aspects of this new Business Plan had received minimal debate. Santee Cooper is a state agency and it is odd that such a bold move outside of Legislative involvement would have final approval without extensive review.

We believe that the new Business Plan lacks transparency and due diligence. This is why my Board objected to the plan as presented.

Obviously there are disagreements between Central and my Board that relate to governance issues. As you are aware, we are asking for a judicial ruling that relates to potential conflicts of interest of dual Trustees. We believe that Central could allow more flexibility that you require for Central. We see this as a simple solution that would be welcomed by all of our members.

To address your concerns about the meetings, I propose the following:

1. Allow my Cooperative the opportunity to address our concerns in writing and include them in the summary of the meetings.
2. Include our comments in the official records of the minutes.

We believe that these disclosures would be beneficial to all members and allow for a more informed Board at Central. Furthermore this transparency would facilitate more informed decisions.

In conclusion, I must report to you that my Board has lost some of its confidence that Central is acting in its best interest. The lack of transparency and limited debate on some of the most important financial issues has created this skepticism. Previous representatives to Central have characterized our roles as a "rubber stamp" for agendas promoted by Central's leadership. Since I have become Chair, I have attempted to be open with everyone. All decisions of Central are finalized at our official meetings, and I feel obligated to contribute. I can only promise to do my job better.

In respect to everyone, I will copy this correspondence to my Board and include a copy in our official minutes of our November meeting.

Thank you again for your candid comments. I am encouraged that during our talk in Greenville we can develop a strategy that will help us improve the relationship.

See you in Greenville.

Mitch Rabon
President
Fairfield Electric Cooperative