

REGULAR MEETING OF MEMBERS OF THE BOARD

September 27, 2021

A regular meeting of the members of the Board of Trustees of Fairfield Electric Cooperative, Inc., was held on Monday, September 27, 2021, at 1:00 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	Robert K. Miles	Michael Good

Attorney Ken DuBose was present. Donald Keith Lewis was absent.

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

President Rabon introduced Rob Hochstetler, President and Chief Executive Officer of Central Electric Power Cooperative. Mr. Hochstetler provided a presentation regarding a Central 10 Year Evolution Plan. President Rabon indicated FEC objected to any action on Central's 10 Year Evolution Plan until FEC received its report from consultants retained by FEC and time to compare to the Central 10 Year Evolution Plan. Fairfield trustees inquired as to Fairfield's request for an independent report by consultants as to alternate power supply options going forward. Mr. Hochstetler indicated that Fairfield Cooperative had a right to seek information as to other power supply options and competitive process and it was appropriate to discuss these matters with other members of the Central Board and that Mr. Bacon and Mr. Rabon could do so as trustees of the Central Board.

President Rabon introduced Hampton Oxendine, Regional Vice President of CFC, who reviewed the Key Ratio Trend Analysis report highlighting various areas of interest and accomplishments. FEC is growing as to members above state and national averages and members per miles is above the state and national average and financial tiers are positive. Compared to state and national statistics the performance of FEC is positive. CFC presented a strategic planning report that kilowatts sold is decreasing and costs are increasing and discussed power generation and transmission costs.

President Rabon introduced Ryan Thomas and Lindy LaChance, CFC consultants, who reported on trends and long range strategic planning.

Upon motion made by John E. Roberts, III, seconded by Peggy D. Swearingen, motion carried, the minutes of the meeting held on August 23, 2021, were approved as presented.

Upon motion made by Derial L. Ogburn, seconded by Peggy D. Swearingen, motion carried, 285 new consumers for the month of August were accepted as members of Fairfield Electric Cooperative, Inc.

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A list of delinquent accounts totaling \$6,424.93 for the month of August was presented for consideration for write off as uncollectible. Upon motion made by Derial L. Ogburn, 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 Derial L. Ogburn, seconded by John E. Roberts, III, motion carried, the following resolution was adopted:

The estates of 13 deceased members have requested the Board of Directors give consideration to approving the retirement of \$7,193.35 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 \$7,193.35 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.

Bruce Bacon, Chief Executive Officer, reviewed and discussed the monthly financial reports.

Bruce Bacon reported Operation Round Up's next board meeting will be held on Monday, October 18th.

Bruce Bacon provided an update on security system activity for August.

Bruce Bacon discussed the 2022 budget process and reported board committee meetings are scheduled as follows to review departmental budgets:

Monday, November 8, 2021 -	Audit & Planning Committee	- 11:00 a.m.
	Budget & Finance Committee	- 11:45 a.m.
	Policy & Operations Committee	- 1:15 p.m.
	Public Relations Committee	- 2:00 p.m.

Bruce Bacon discussed the upcoming NRECA Regional meeting and meeting materials were provided to those attending in person and to those attending virtually.

Bruce Bacon reported CEEUS has cancelled their equipment show in October due to COVID 19 concerns.

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Bruce Bacon provided a summary of various options and various quotes for consideration for the Board's tablets software applications and discussed this information with the board. Mr. Bacon reported that FEC is still receiving quotes. Mr. Bacon reported that Board Effect was mistakenly quoted last month as \$8,000.00 annually. The correct Board Effect quote is \$6,000.00 annually.

Voting delegates for CFC's upcoming 2021 District Meeting were discussed. Upon motion made by Robert Entzminger, seconded by Timothy L. Hopkins, motion carried, Bruce Bacon was appointed voting delegate with Mitch Rabon being the alternate.

Trustees and voting delegates for The Electric Cooperatives of SC for 2021-2022 were discussed. Upon motion made by Peggy D. Swearingen, seconded by Cynthia Able, motion carried, Bruce Bacon and Derial Ogburn were appointed trustees with Bruce Bacon being the voting delegate and Derial Ogburn being alternate.

ECSC's Winter Conference scheduled for December 5 – 8 to be held at Hilton Head was discussed. Upon motion made by Timothy L. Hopkins, seconded by John E. Roberts, III, motion carried, the following were authorized to attend: Mitch Rabon, Robert Entzminger, Peggy Swearingen, Tim Hopkins, Cynthia Able, Derial Ogburn, Kenny Miles, and Mike Good.

Cynthia Able provided an update on behalf of the Benefit Review Committee. Ms. Able reported that Trey Boone is collecting and analyzing data. Ms. Able reported that another special committee meeting with the Benefit Review Committee will need to be scheduled. Upon motion made by Derial L. Ogburn, seconded by Robert Entzminger, the special called meeting scheduled for October 13, 2021 at 2:00 PM was approved.

Bruce Bacon reported on and discussed architectural groups and the design of the building for the new Winnsboro Office facility at the same location.

Derial Ogburn reported on the continuing work to establish the 9 single member districts as approved in the bylaw revisions by the membership at the 2020 and 2021 Annual Meeting. He reminded board members the final maps for single member districts will need to be approved by December 2021. Mr. Ogburn reported that another special called meeting by the Single Member Districts and Bylaws Committee should be set for October 18, 2021 at 10:00 AM to discuss the final maps to present to members. By a unanimous consent, the meeting on October 18, 2021 at 10:00 AM was approved.

Mitch Rabon discussed operations of Central Electric. Bruce Bacon provided an update on discussions with EnerVision. Bruce Bacon reported EnerVision continues to study and analyze the information FEC has provided them. Once this study is complete, EnerVision will provide an analysis for the board.

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Derial Ogburn provided an update on The Electric Cooperatives of SC. ECSC membership dues and SC Living costs for 2022 were provided to board members prior to the board meeting. The cooperative will hold off making those decisions until after the current member surveys are completed so as to have member input as to the value being received for the services. Mr. Ogburn reported that there was nothing new to report.

Robert Entzminger provided an update on CEEUS. Mr. Entzminger reported there is nothing new to report. Mr. Entzminger disclosed that the meeting set in November will be a face-to-face meeting.

John Roberts provided no report as to the Trustee Association. However, Mr. Roberts indicated he will be unable to attend the winter Trustee Association meeting and he requested that Tim Hopkins stand in for him. The Board unanimously approved this request.

Old Business: None

New Business: Bruce Bacon discussed implementing a new deferred revenue plan of \$1,800,000. The following board resolution having been provided to all board members prior to the meeting was adopted after discussion and upon motion made by Derial L. Ogburn, seconded by Robert K. Miles, motion carried, approving the deferred revenue plan.

**BOARD RESOLUTION
AUTHORIZING THE DEFERRED REVENUE PLAN
FOR
FAIRFIELD ELECTRIC COOPERATIVE, INC.**

BE IT RESOLVED, that the Board of Trustees of Fairfield Electric Cooperative, Inc. approve the Deferred Revenue Plan.

**FAIRFIELD ELECTRIC COOPERATIVE, INC.
DEFERRED REVENUE PLAN**

General

Fairfield Electric Cooperative, Inc., as part of its overall approach to establishing rates for electric energy, has established a “Deferred Revenue Plan.” Due to the potential of increasing power cost, Fairfield Electric Cooperative, Inc. recognizes the possibility of having to increase rates more rapidly than its members desire. Accordingly, the plan is based on the desire to

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provide adequate cash flow and margins during periods that would otherwise be adversely affected by increased cost of power.

Under the plan, revenue totaling \$1,800,000 is to be deferred from January 1, 2021 through December 31, 2021.

The deferral would be recognized as follows:

<u>Year</u>	<u>Amount</u>
2025	\$1,800,000

Escrow of Funds

The Board of Trustees specified the deferred funds be deposited in a special fund until such time the amount is subsequently amortized into revenue. Accordingly, the funds are to be maintained in a separate account.

Tax Status

Fairfield Electric Cooperative, Inc. operates as a tax-exempt entity under Section 501(c) 12 of the Internal Revenue Service Code. The Board of Trustees of Fairfield Electric Cooperative, Inc. is aware of the potential impact of revenue deferral on its tax-exempt and cooperative statuses and accordingly, intends to assign future capital credits resulting from deferred margins to those members who paid them without regard to period of recognition as revenue.

Accounting

The plan is based on Accounting Standards Codification (ASC) 980 Regulated Operations, formerly Financial Accounting Standards Board Statement No. 71-*Accounting for the Effects of Certain Types of Regulation* which allows current period costs or revenues to be passed on to future customers with the assumption that such costs or revenues will be included in future rates. The specific accounting entries relating to the plan are:

<u>Account Number</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
	(1)		
451	Miscellaneous Service Revenues	\$1,800,000	
254.12	Other Regulatory Liabilities-2021 Revenue Deferral		\$1,800,000

To record revenue deferral.

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(2)

128.60	Other Special Funds-Deferred Revenue	\$1,800,000	
131.09	Cash		\$1,800,000

To record deposit of deferred revenue in a special account until recognized as revenue.

(3)

131.09	Cash	\$1,800,000	
254.12	Other Regulatory Liabilities-2021 Revenue Deferral	\$1,800,000	
451	Miscellaneous Service Revenues		\$1,800,000
128.60	Other Special Funds-Deferred Revenue		\$1,800,000

To record recognition of deferred revenue for 2025 and related transfer of funds.

The deferral amounts will be disclosed in the financial statement as follows.

- Opening balance by year.
- Amount deferred by year.
- Amount returned to revenue.
- Balance at end of year.

Other

The plan has given consideration to Internal Revenue Service Regulations and ASC 980. The plan was developed to comply with the above referenced documents.

Now, therefore be it resolved that the Board of Trustees of Fairfield Electric Cooperative, Inc. does hereby approve the above stated deferred revenue plan on this 27th day of September 2021.

New Business: Peggy Swearingen reported on the trip to Birmingham next week which Peggy Swearingen, Cynthia Able, and Derial Ogburn will attend.

Upon motion made by Peggy D. Swearingen, seconded by Derial L. Ogburn, motion carried, the board moved into executive session. At the conclusion of executive session, a motion was made by Peggy D. Swearingen, seconded by Derial L. Ogburn, motion carried, the Board came out of executive session.

There being no further business to come before the Board, upon motion made, seconded and approved by unanimous consent, the meeting was adjourned.

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Signed: _____
Robert K. Miles, Secretary
APPROVED

ATTEST: _____
Mitchell D. Rabon, President