

REGULAR MEETING OF MEMBERS OF THE BOARD

October 24, 2022

A regular meeting of the members of the Board of Trustees of Fairfield Electric Cooperative, Inc., was held on Monday, October 24, 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.

Before the start of the meeting, the Living magazine was discussed. The Board suggested the possibility of placing inserts along with the members' monthly billing as a way of communicating with members and providing information as to capital credits, and informational exchange and the possibility of doing away with the magazine which FEC spends \$125,000 a year on the magazine.

The September 26, 2022, regular meeting and the October 7, 2022, Special Board Meeting minutes were approved as presented upon motion made by Donald Keith Lewis, seconded by John E. Roberts, III, motion carried.

Upon motion made by Derial L. Ogburn, seconded by Michael Good, motion carried, 245 new consumers for the month of September were accepted as members of Fairfield Electric Cooperative, Inc.

A list of delinquent accounts totaling \$3,640.02 for the month of September was presented for consideration for write off as uncollectible. Upon motion made by Cynthia Able, seconded by Timothy L. Hopkins, 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 Bruce E. Honeycutt, motion carried, the following resolution was adopted:

The estates of 17 deceased members have requested the Board of Directors give consideration to approving the retirement of \$9,715.28 as an administrative convenience to the estates. After reviewing the Cooperative's financial statements and determining

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such retirement will not adversely impact the Cooperative's financial condition, management recommends capital credits totaling \$9,715.28 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 reviewed and discussed the financial reports for the month of September and the third quarter controllable expenses report with the Board.

Bruce Bacon reported Operation Round Up's board met October 17, 2022 and made donations to several needy families and FEC's Operation Give-A-Turkey and Adopt-An-Elder for Thanksgiving and Christmas.

Bruce Bacon provided updates on security system sales and service and reminded board members of the upcoming budget committee meetings on November 7, 2022.

President Rabon presented and discussed a proposed deferred revenue plan of \$2,500,000. The Deferred Revenue Plan will not affect capital credits. The goal is to reach \$7,000,000 in revenue over the next 2 years (by 2024). Thereafter, upon motion made by Bruce E. Honeycutt, seconded by Robert Entzminger, motion carried, the deferred revenue plan was approved and the following resolution was adopted.

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

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rates more rapidly than its member's desire. Accordingly, the plan is based on the desire to provide adequate cash flow and margins during periods that would otherwise be adversely affected by increased cost of power.

Under the plan, revenue totaling \$2,500,000 is to be deferred from January 1, 2022 through December 31, 2022.

The deferral would be recognized as follows:

<u>Year</u>	<u>Amount</u>
2026	\$2,500,000

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		\$2,500,000

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254.14	Other Regulatory Liabilities-2022 Revenue Deferral	\$2,500,000
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To record revenue deferral.

(2)

128.60	Other Special Funds-Deferred Revenue	\$2,500,000
131.09	Cash	\$2,500,000

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

(3)

131.09	Cash	\$2,500,000
254.14	Other Regulatory Liabilities-2022 Revenue Deferral	\$2,500,000
451	Miscellaneous Service Revenues	\$2,500,000
128.60	Other Special Funds-Deferred Revenue	\$2,500,000

To record recognition of deferred revenue for 2026 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 24th day of October 2022.

Keith Lewis reported construction of the Winnsboro Office building continues to progress. The brickwork is currently underway, installation of sheetrock is up, the front, back, north and south walls are up, and the enclosure has been placed on the equipment shed. Landscaping will begin soon. FEC is still within the budget for the new office building.

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Mitch Rabon and Bruce Bacon provided updates on Central Electric and the pending lawsuit as to governance of Central. Mr. Rabon reported that at the meeting on October 19, 2022, FEC voted against the proposed resource plan offered by Central Electric. It was reported that Pee Dee and Marlboro abstained from voting and the remaining Coops voted in favor of the proposed resource plan. Mr. Rabon reported that the new business plan is generic. Central Electric has about 57 employees and has spent close to \$11.5 million a year for salaries and benefits. This will increase to \$12.6 million by next year for salaries and benefits.

John DuBose reported that as to the lawsuit, the depositions will be solidified in a week or so. An Amended Scheduling Order is in place in which discovery is to be completed by December 30, 2022 and called to trial by May 2023. Mr. DuBose reported that the recent votes by Central Electric on the proposed resource plan highlight the conflict of fiduciary duty that is alleged in the lawsuit. Trustees expressed dissatisfaction with Central Electric's potential efforts to evolve its function and duties and its potential desire to become a power generation entity.

The ECSC Winter Conference/Annual Meeting to be held in Greenville, South Carolina December 4-7, 2022 was discussed. Upon motion made by John E. Roberts, III, seconded by Robert Entzminger, motion carried, the following were authorized to attend the conference: Mitch Rabon, Timothy L. Hopkins, John E. Roberts, III, Robert Entzminger, Cynthia Able, Peggy Swearingen, Derial L. Ogburn, and Robert K. Miles. Mr. Ogburn reported that Bruce Bacon and Derial Ogburn both voted against the budget due to lack of information. A letter was forwarded to ECSC requesting information from ECSC's top five executives. There has been an increase in costs and benefits with no explanation.

Robert Entzminger provided an update on CEEUS. Mr. Entzminger stated that he voted against the budget. FEC will not sign the confidentiality agreement. Mr. Entzminger stated that if FEC decided to sign the confidentiality agreement, the information requested could not be disclosed as stated in the confidentiality agreement.

Tim Hopkins reported he will be attending the Trustee Association's Advisory Board meeting on behalf of John E. Roberts, III, on Friday, October 28, 2022 in Walterboro. Mr. Hopkins reported on the budget of \$29,839.50 less expenses for the Spring meeting leaving a balance of \$16,148.00. Mr. Hopkins will know more after the meeting on October 28, 2022.

Old Business: None

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New Business: President Rabon reported Joe Melanson who was a member of the Advisory Committee passed away and that he appointed Jacky and Tonya Watts to the committee. Mr. Roberts appointed Lane Kimbrell of Mt. Olivet Church. Also appointed was Bill and Cheryl Schwartz of Lugoff, South Carolina. Upon motion made by Michael Good, seconded by Cynthia Able, motion carried, Jacky and Tonya Watts, Lane Kimbrell, and Bill and Cheryl Schwartz is appointed to the Advisory Committee.

There being no further business to come before the Board, upon motion made by Donald Keith Lewis, seconded by Robert Entzminger, motion carried, the meeting was adjourned.

Signed: _____
Robert K. Miles, Secretary
APPROVED

ATTEST: _____
Mitchell D. Rabon, President