

## REGULAR MEETING OF MEMBERS OF THE BOARD

October 28, 2019

A regular meeting of the members of the Board of Trustees of Fairfield Electric Cooperative, Inc., was held on Monday, October 28, 2019, at 12:30 p.m. at the cooperative headquarters in Blythewood, South Carolina. The following board members were present:

Mitchell D. Rabon	Robert Entzminger	Robert K. Miles
Timothy L. Hopkins	Peggy B. Jeffcoat	Joseph E. Sharpe
Donald Keith Lewis	John E. Roberts, III	Cynthia E. Able
Allen Beer	William C. Good	

Attorney Ken DuBose was present.

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

President Rabon welcomed Thomas Black, VP of Engineering, and Erik Marsha, Manager of Consumer Information Services, who presented and discussed Solar Rate Schedule SG-R – Surplus Generation Rider. Upon motion made by Joe Sharpe, seconded by Tim Hopkins, motion carried, the following rate schedule was adopted:

### **SURPLUS GENERATION RIDER RATE SCHEDULE SG-R**

#### **AVAILABILITY**

Available in all territory served by the Cooperative, in conjunction with the Cooperative's commercial power rates, subject to the Cooperative's Service Rules and Regulations. Furthermore, this Rider is available on a first come, first serve basis.

#### **APPLICABILITY**

##### **A. System Type**

This rider is applicable to Consumers where solar photovoltaic, wind-powered, biomass-fueled, micro-hydro, or other Cooperative-approved renewable generation sources of electric energy ("Eligible Generation Source") are installed on the Consumer's side of the delivery point, for the Consumer's own use, but interconnected with and operated in parallel with the Cooperative's distribution system.

This rider is applicable only for installed single-phase and multi-phase generation systems where the total aggregate Nameplate kW Rating of the Consumer's installed supplemental energy generation system(s) does not exceed the lesser of (a) the Consumer's historical annual hour ending 7 am to 8 pm kilowatt (kW) ascending order range tenth percentile (removing outliers from the data) – as determined by Fairfield Electric Cooperative or (b) 1000 kW for a non-residential system, and where such system fully complies with the Cooperative's then current "Standard for Interconnecting Small Generation 1000 kW or Less with Electric Power Systems" ("Interconnection Standard"). In addition, Consumer's generating system must be manufactured, installed, and operated in accordance with applicable Government and Industry standards. An electrical release by a county inspector and inspection by a representative of the Cooperative is required before any Cooperative-approved renewable generation source of electric energy is made operational.

##### **B. Nameplate Rating**

To qualify for service under this Rider, the total aggregate Nameplate kW Rating of the Consumer's installed supplemental energy generation system(s) must not exceed the Consumer's historical annual hour ending 7 am to 8 pm kilowatt (kW) ascending order range tenth percentile – as determined by Fairfield Electric Cooperative or 1000 kW for a non-residential consumer, whichever is less.

**MEETING OF MEMBERS OF THE BOARD CONTINUED**

**October 28, 2019**

**SURPLUS GENERATION RIDER  
RATE SCHEDULE SG-R (CONTINUED)**

**CHARGES**

A. Rate

The charge per month shall be determined from the appropriate rate schedule, as referenced above under AVAILABILITY. The monthly bill shall be determined as follows:

1. The facilities charge shall be determined and billed as set forth in the applicable rate schedule, as described in the AVAILABILITY section above.
2. For each billing period, the member's monthly energy consumption and generation will be metered. The cumulative kWh Delivered to the member will be metered separately from the kWh Received to the grid from the member. All Delivered kWh will be charged according to the applicable rate schedule and Received energy for that billing period will be credited by an amount per kilowatt-hour at the Cooperative's Value of Renewable Generation as determined in accordance with Exhibit A ("Excess Energy Credit").
3. Excess Energy Credits that exceed the Charges for any billing period will be retained to offset Charges in future billing periods. Upon termination of this Rider or the member's disconnection of its generating system from the Cooperative's electrical power system (except for the Cooperative's termination of the member's interconnection for cause), the Cooperative shall issue a check to the member in the amount of any such retained Excess Energy Credit.
4. If solar credit is larger than the energy bill, the remaining credit rolls over to the next month as long as the account remains active.
5. As of the Effective Date of this Rider, the Cooperative's Value of Renewable Generation is 4.40 cents per kWh.

**GENERAL CONDITIONS**

A. Limitations on Net Billing Load

If the Consumer's proposed installation results in the total net billing generation exceeding the limitation provided under "AVAILABILITY", above, the Consumer will be notified that service under this Rider is not allowed.

B. Execution of Interconnection Agreement

The Consumer must execute an Interconnection Agreement prior to receiving service under this Rider. The agreement shall include a description of the conditions related to interconnection of the Consumer generation with the Cooperative's electrical system.

C. Applicable Rate Schedule

All provisions of the applicable rate schedule including, but not limited to, Facilities Charge, Determination of Billing Demand, Determination of On-Peak and Off-Peak Hours, Definition of Month, Contract Demand, Wholesale Power Cost Adjustment, etc. will apply to service supplied under this Rider.

## MEETING OF MEMBERS OF THE BOARD CONTINUED

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### SURPLUS GENERATION RIDER RATE SCHEDULE SG-R (CONTINUED)

#### D. Ownership of Premises

If the Consumer is not the owner of the premises receiving electric service from the Cooperative, the Cooperative shall have the right to require that the owner of the premises give satisfactory written approval of the Consumer's request for service under this Rider.

#### E. Interconnection

1. COMPLIANCE – When interconnecting Small Generation, the Consumer shall comply with the requirements of the Cooperative's Interconnection Standard.
2. APPLICATION – The Consumer shall submit an Application to Interconnect Small Generation, which must be accepted by the Cooperative, and pay an application fee in accordance with the Interconnection Standard.
3. INSURANCE – The Consumer shall comply with the liability insurance requirements of the Cooperative's Interconnection Standard.
4. INSPECTION – The Consumer shall allow for initial and yearly inspections by the Cooperative of all renewable generation sources of electric energy and associated equipment.

#### F. System Upgrades

The Cooperative will furnish, install, own and maintain metering to measure the kilowatt demand and kilowatt-hours delivered by the Cooperative to the Consumer. The Cooperative shall have the right to install special metering and load research devices on the Consumer's equipment and the right to use the Consumer's telephone line for communication with the Cooperative's and the Consumer's equipment.

The Consumer shall pay for any costs associated with upgrades to the Cooperative's distribution system required for the Cooperative to maintain a safe and reliable distribution system, necessitated by providing service to Consumer, hereunder.

### **CONTRACT PERIOD**

Acceptance of service under this Rider binds the Consumer to all terms and conditions of this Rider. Such obligations shall begin on the date of such acceptance of service and shall continue for an initial term of one (1) year and thereafter for additional terms of one (1) year each, unless and until terminated at the end of such initial term or any additional term by not less than sixty (60) day's advance written notice of termination from the Consumer to the Cooperative. A separate contract shall be executed for each of Consumer's meter/service locations where service will be taken hereunder.

The Cooperative reserves the sole right to terminate service to a Consumer under this Rider at any time upon written notice in the event that the Consumer violates any of the terms or conditions of the Rider, or if the Consumer operates the generation system and equipment in a manner which is detrimental to the Cooperative or any of Cooperative's other consumers. Additionally, the Cooperative reserves the right to modify or terminate this Rider in whole or in part at any time in accordance with its bylaws, policies and procedures.

**MEETING OF MEMBERS OF THE BOARD CONTINUED**

**October 28, 2019**

**SURPLUS GENERATION RIDER  
RATE SCHEDULE SG-R (CONTINUED)**

**RIDER FOR INTERCONNECTED SMALL MEMBER-OWNED RENEWABLE  
GENERATION (UP TO 1000 KW NON-RESIDENTIAL)**

**EXHIBIT A**

**FAIRFIELD ELECTRIC COOPERATIVE VALUE OF RENEWABLE GENERATION**

On or before March 1<sup>st</sup> of each calendar year, the Cooperative will provide a written statement to each member subject to this Rider setting forth the Value of Renewable Generation for the next calendar year.

The Cooperative's determination of the Value of Renewable Generation shall be [option A – developed in accordance with good utility practice based on Cooperative's wholesale power supplier's value of renewable generation with adjustments to account for use at the retail level (e.g. distribution losses).] or [option B – developed in accordance with good utility practice based on Cooperatives wholesale power costs with adjustment to account for use at the retail level (e.g. distribution losses).] The Value of Renewable Generation shall be updated annually and approved by the Cooperative Board.

Adopted: October 28, 2019  
Effective: November 1, 2019

President Rabon welcomed Chip Hardy of FinTrust Advisors who presented an update on the Retirement Plan amendments.

Thereafter, upon motion made by Joe Sharpe, seconded by Billy Good, motion carried, the following resolution was adopted modifying the NRECA Retirement & Security Plan and authorizing the President to execute the Retirement Plan Adoption Agreement. The fully vested normal retirement age will be increased to age 65 from age 60 and the cooperative paid 50% COLA (Cost of Living Adjustment) benefit through the NRECA Retirement Plan at retirement will be removed from the plan effective January 1, 2020, for all current employees and all new hires.

**RESOLUTION  
AUTHORIZING THE AMENDMENT OF THE  
RETIREMENT SECURITY PLAN  
RUS#: 41022-001**

**WHEREAS**, Fairfield Electric Cooperative, Inc. is participating in the NRECA sponsored defined benefit plan, the Retirement Security Plan (the "RS Plan"), and;

**WHEREAS**, The Board of Directors of Fairfield Electric Cooperative, Inc. ("the Board") now desires to amend these plans pursuant to Section 18.02 of the RS Plan document, and does hereby authorize the amendment effective January 1, 2020, by executing the appropriate Adoption Agreements;

**BE IT RESOLVED**, that effective January 1, 2020, the amendments to the RS Plan are as follows:

- The Fairfield Electric Cooperative, Inc. shall amend the Plan's Normal Retirement Date from the first day of the month coincident with or next following a Participant's attainment of age 60 to the first day of the month coincident with or next following a Participant's attainment of age 65.

**MEETING OF MEMBERS OF THE BOARD CONTINUED**

**October 28, 2019**

- Benefits payable under the Plan shall not be adjusted for changes in the cost of living.

**BE IT FURTHER RESOLVED**, that employees of Fairfield Electric Cooperative, Inc. who will experience a reduction in benefits due to this amendment will receive the proper notification under §204(h) of the Employee Retirement Income Security Act no later than **30** days prior to the effective date of the new plan provision.

**BE IT FURTHER RESOLVED**, that the Board does hereby authorize and direct the CEO, Bruce Bacon, to execute all necessary documents and to take any and all further actions necessary to carry out the intentions of the Board as indicated in this resolution.

Minutes of the board meeting held on September 30, 2019, were approved as presented upon motion made by Keith Lewis, seconded by Robert Entzminger, motion carried.

Upon motion made by Tim Hopkins, seconded by Billy Good, motion carried, 227 new consumers for the month of September were accepted as members of Fairfield Electric Cooperative, Inc.

Vicky Melvin, Controller, presented and discussed the financial and statistical reports for the month of September. President Rabon requested quarterly reports be provided for controllable operational expenses.

Bruce Bacon reported Operation Round Up's board met Monday, October 21, and donated to four fire victims, several needy families, and the cooperative's Adopt-The-Elderly & Operation Give-A-Turkey programs for Thanksgiving and Christmas.

Bruce Bacon reported six new security systems were sold during September and three systems were converted from other companies.

Bruce Bacon reminded the board of the upcoming budget committee meetings scheduled as follows:

November 12, 2019	Audit & Planning Committee	- 11:00 a.m.
	Budget & Finance Committee	- 11:30 a.m.
	Policy & Operations Committee	- 1:00 p.m.
	Public Relations Committee	- 1:30 p.m.

Bruce Bacon and Attorney DuBose provided updates on the Cook case lawsuit and the Santee Cooper lawsuit.

Bruce Bacon and Joe Sharpe provided an update regarding the Central Electric / Marlboro Co-op matter.

Proposed bylaw revisions and board policies were distributed and Attorney Ken DuBose discussed these documents with board members. Attorney DuBose presented several options as to the member "Voting District Referendum" for the 2020 Annual Meeting. A board consensus was reached to proceed with nine single-member districts and two members elected at large. Attorney DuBose along with staff will provide a proposed referendum for board consideration for presentation to the membership.

A list of delinquent accounts totaling \$5,858.83 for the month of September 2019 were approved for write off against the cooperative's reserve for uncollectible accounts upon motion made by Tim Hopkins, seconded by Cynthia Able, motion carried.

## MEETING OF MEMBERS OF THE BOARD CONTINUED

October 28, 2019

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

The estates of 5 deceased members have requested the Board of Directors give consideration to approving the retirement of \$2,632.76 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 \$2,632.76 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.

Personnel Policy 39, Payment of Retiree's Company Provided Medical Insurance, was presented for discussion. The board consensus was this should be included as part of the overall continuing benefit review.

Trustees and voting delegates for The Electric Cooperatives of SC for 2019-2020 were discussed. Upon motion made by Joe Sharpe, seconded by Cynthia Able, motion carried, Bruce Bacon and Mitch Rabon were appointed trustees with Bruce Bacon being voting delegate and Mitch Rabon being alternate.

Trustees and voting delegates for CEE-US and Line Equipment Sales for 2019-2020 were discussed. Upon motion made by Tim Hopkins, seconded by Keith Lewis, motion carried, Bruce Bacon and Robert Entzminger were appointed trustees with Bruce Bacon being voting delegate and Robert Entzminger being alternate.

An engagement letter from McNair, McLemore, & Middlebrooks of Macon, Georgia, for audit services for 2020 through 2024 was presented and discussed. A board consensus was reached for the cooperative to solicit competitive bids for this service. This was delegated to the Chief Executive Officer to accomplish obtaining bids for consideration.

Vicky Melvin discussed implementing a new deferred revenue plan of \$1,500,000. Upon motion made by Keith Lewis, seconded by Joe Sharpe, motion carried, the following resolution was adopted authorizing 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. approves 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 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.

**MEETING OF MEMBERS OF THE BOARD CONTINUED**

**October 28, 2019**

Under the plan, revenue totaling \$1,500,000 is to be deferred from January 1, 2019 through December 31, 2019.

The deferral would be recognized as follows:

<u>Year</u>	<u>Amount</u>
2022	\$1,500,000

**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	\$1,500,000	
254.11	Other Regulatory Liabilities-2019 Revenue Deferral		\$1,500,000

To record revenue deferral.

(2)

128.60	Other Special Funds-Deferred Revenue	\$1,500,000	
131.09	Cash		\$1,500,000

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

(3)

131.09	Cash	\$1,500,000	
254.11	Other Regulatory Liabilities-2019 Revenue Deferral	\$1,500,000	
451	Miscellaneous Service Revenues		\$1,500,000
128.60	Other Special Funds-Deferred Revenue		\$1,500,000

**MEETING OF MEMBERS OF THE BOARD CONTINUED**

**October 28, 2019**

To record recognition of deferred revenue for 2022 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.

There was no activity to report for the Trustee Association.

There was no old business to come before the board.

Under new business, President Rabon presented a certificate to Cynthia Able for completion of the NRECA Credentialed Director Certification program.

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

Signed: \_\_\_\_\_  
Peggy B. Jeffcoat, Secretary

ATTEST: \_\_\_\_\_  
Mitchell D. Rabon, President