

REGULAR MEETING OF MEMBERS OF THE BOARD

September 28, 2020

A regular meeting of the members of the Board of Trustees of Fairfield Electric Cooperative, Inc., was held on Monday, September 28, 2020, 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	Cynthia Able	Peggy D. Swearingen
Donald Keith Lewis	John E. Roberts, III	Derial L. Ogburn
Joseph E. Sharpe	William C. Good	

Attorney Ken DuBose was present.

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

President Rabon reported administrative support for the Board of Trustees was being utilized through the Smith Robinson Holler DuBose and Morgan, LLC law firm going forward. After discussion upon motion made by Donald Keith Lewis, seconded by Joseph E. Sharpe, motion carried, administrative Board of Trustees support by Smith Robinson Holler DuBose and Morgan was approved.

Upon motion made by John E. Roberts, III, seconded by Cynthia Able, motion carried, the minutes of the meetings held on July 27, 2020, and August 28, 2020 were approved as presented.

Upon motion made by Joseph E. Sharpe, seconded by Robert Entzminger, motion carried, 618 new consumers for the months of July and August were accepted as members of Fairfield Electric Cooperative, Inc.

Bruce Bacon, Chief Executive Officer, presented and discussed the financial and statistical monthly reports with the board.

Bruce Bacon reported Operation Round Up's next board meeting will be held on Monday, October 19th.

Bruce Bacon reported fourteen new security systems were sold and installed and ninety one service calls were completed during the months of July and August.

Bruce Bacon provided annual meeting voting participation by each county location.

Bruce Bacon reported CEE-US has cancelled their annual equipment show and dinner due to COVID-19 precautions and restrictions.

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Bruce Bacon advised budgets will be available on board tablets on October 28th for review prior to committee meetings.

Bruce Bacon provided an update on the Strategic Plan.

Bruce Bacon reminded board members of the upcoming NRECA Regional II virtual meetings and schedules were provided to those registered to participate.

A list of delinquent accounts totaling \$12,166.17 for the months of July and August was presented for consideration for write off as uncollectible. Upon motion made by Donald Keith Lewis, seconded by William C. Good, 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 28 deceased members have requested the Board of Directors give consideration to approving the retirement of \$16,067.99 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 \$16,067.99 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 discussed implementing a new deferred revenue plan of \$1,500,000. After discussion by the Board, upon motion made by Joseph E. Sharpe, seconded by Cynthia Able, motion carried, the following resolution was adopted authorizing the deferred revenue plan as follows:

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.

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

Under the plan, revenue totaling \$1,500,000 is to be deferred from January 1, 2020 through December 31, 2020.

The deferral would be recognized as follows:

<u>Year</u>	<u>Amount</u>
2024	\$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:

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FAIRFIELD ELECTRIC COOPERATIVE, INC.
DEFERRED REVENUE PLAN

<u>Account Number</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
	(1)		
451	Miscellaneous Service Revenues	\$1,500,000	
254.12	Other Regulatory Liabilities-2020 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	
254.12	Other Regulatory Liabilities-2020 Revenue Deferral	\$1,500,000	
451	Miscellaneous Service Revenues		\$1,500,000
128.60	Other Special Funds-Deferred Revenue		\$1,500,000

To record recognition of deferred revenue for 2024 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 28th day of September 2020.

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The 2020 budget process was discussed and upon motion made by Derial L. Ogburn, seconded by Donald Keith Lewis, motion carried, budget committee meetings were scheduled as follows:

Tuesday, November 10, 2020 -	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.

President Rabon acknowledged and welcomed new Board Members Peggy Swearingen and Derial L. Ogburn and reported committee assignments have been updated. Joseph E. Sharpe reported he did not wish to continue to serve on the Budget and Finance Committee and suggested that Donald Keith Lewis take his place on the committee and also serve as Chairman. Joseph E. Sharpe indicated he would like to take the place of Donald Keith Lewis on the Policy and Operations Committee. President Rabon then made the committee assignments as follows:

POLICY & OPERATIONS COMMITTEE
(Right-of-Way, Construction, & Fleet Management)
Kenny Miles, Chairman
Joe Sharpe
Robert Entzminger
Johnny Roberts
Derial Ogburn

PUBLIC RELATIONS COMMITTEE
(Member Services & Public Relations)
Robert Entzminger, Chairman
Keith Lewis
Tim Hopkins
Johnny Roberts
Cynthia Able

AUDIT & PLANNING COMMITTEE
(Engineering & Material)
Tim Hopkins, Chairman
William Good
Peggy Swearingen
Kenny Miles
Johnny Roberts

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BUDGET & FINANCE COMMITTEE

(Administrative & General, Offices, Security Business, and I.T.)

Keith Lewis, Chairman

Derial Ogburn

Peggy Swearingen

William Good

Cynthia Able

BENEFIT REVIEW COMMITTEE

Cynthia Able, Chairman

Joe Sharpe

Robert Entzminger

John Roberts

Tim Hopkins

Mitch Rabon, Chairman - Ex-Officio Member - All Committees

The Benefit Committee report was provided by Cynthia Able as follows: Medicare specialist to meet in a special board meeting for a Q&A session and discussion to receive information regarding Medicare Benefits on October 8, 2020 at 10:30 AM with Board members who choose to attend. Board members' spouses can also attend.

Appointing a designated board delegate to the Electric Cooperatives for South Carolina was discussed by the board. Also discussed by the board was the appointment of a board delegate to the Central Electric Power Cooperative, to the Trustee Association and to Cooperative Electric Energy Utility Supply, Inc. (CEEUS). Upon motion made by Peggy Swearingen, seconded by Tim Hopkins and passed without opposition, the following board member appointments were made effective immediately:

Electric Cooperatives for South Carolina:

Derial L. Ogburn

Central Electric Power Cooperative:

Mitch Rabon

Trustee Association:

Johnny Roberts

Cooperative Electric Energy Utility Supply (CEEUS):

Robert Entzminger

The following resolution was adopted memorializing the appointment of Mitchell D. Rabon to serve on the Board of Trustees of Central Electric Power Cooperative effectively immediately:

RESOLUTION

WHEREAS, Mitchell D. Rabon has been selected by the Board of Trustees to serve on the

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Board of Trustees of Central Electric Power Cooperative effective immediately;

NOW THEREFORE BE IT RESOLVED, the Board of Trustees of Fairfield Electric Cooperative, Inc. hereby appoints Mitchell D. Rabon to replace Joseph E. Sharpe, to serve on the Board of Trustees of Central Electric Power Cooperative effective immediately.

President Rabon reported on the need for a committee to provide for the implementation of a new 9 single member district and 2 at large trustee membership plan by necessary bylaw amendments and the planning for and formulation of a map by the board providing for 9 single member districts. Attorney Ken DuBose provided information and discussed the process and legal requirements. President Rabon appointed the Bylaw Revision and Single Member District Committee:

Derial Ogburn, Chairman
Donald Keith Lewis
Peggy Swearingen
Tim Hopkins
John Roberts
Ken DuBose, Board Attorney

Bruce Bacon provided an update on Central Electric Power Cooperative and a possible exit strategy from Central at length with the board members. The board discussed at length a possible exit from Central Electric and the implications and costs of a possible exit.

Bruce Bacon provided an update on Statewide activities and reported their Annual Meeting / Winter Conference will be held virtually the first part of December.

Bruce Bacon and Robert Entzminger provided an update on CEEUS activities.

John Roberts provided an update of the Trustee Association.

President Rabon reported board planning for 2021 including priority items that needed to be accomplished. The board discussed future priority items, which include:

Derial Ogburn: Benefits Review by the Benefit Committee
John E. Roberts, III: Central Electric Exit Plan, District Map

Tim Hopkins and Cynthia Able discussed the upcoming CEO evaluation and the evaluation process for the CEO Evaluation Form to be turned in by the October meeting and tabulated by Cynthia Able by the November meeting.

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There was no old business to come before the board.

New business before the board: Peggy Swearingen requested that management explore the possibility of using electronic voting at the next annual meeting.

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

Signed: _____
Robert K. Miles, Secretary
APPROVED

ATTEST: _____
Mitchell D. Rabon, President