

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

St. Matthews, South Carolina
Minutes of the Board of Trustees Meeting
February 28, 2019

Pursuant to due notice thereof, a regular meeting of the Board of Trustees of Tri-County Electric Cooperative, Inc. (hereinafter called the "Cooperative") was held on February 28, 2019, following a Central Electric Power Cooperative, Inc. information meeting at 5:00 p.m. at the Cooperative's headquarters office in St. Matthews, South Carolina.

The following trustees were present: Ida L. Dixon, Barbara F. Weston, S. George Wilson, Gary F. Geiger, F. Joe Strickland, Jr., William T. Robinson, Willie E. Jeffries, James R. Dantzler, and Jacqueline S. Shaw, these being all the trustees of the Cooperative. Also present were Chad T. Lowder, CEO, John G. Felder, Sr., General Counsel, Frank Furtick, COO, Michael Weeks, CAO, and Cindy Sarratt, who recorded the minutes of the meeting.

CALL TO ORDER – INVOCATION

The meeting was called to order at 6:00 p.m. by President Barbara F. Weston. CEO, Chad T. Lowder, gave the Invocation.

MEMBER COMMENT PERIOD

Three Cooperative members attended to observe the Board of Trustees meeting. No members appeared to comment.

APPROVAL OF MINUTES OF BOARD MEETING

On a motion by Gary Geiger, seconded by Willie Jeffries, and carried, the minutes of the January 24, 2019 Board meeting were approved as corrected.

REPORTS

YEAR END FINANCIAL STATEMENT (UNAUDITED)

Michael Weeks, CAO, presented the Year End Unaudited Financial Statement. The full audited Financial Statements will be provided at the March board meeting.

NEW MEMBER REPORT

The CEO reported that 94 new members for January 2019 made application for service and those new members are now actively receiving electric service from the Cooperative.

Thereafter, on motion by William Robinson, seconded by Willie Jeffries, and carried, the following resolution was approved:

RESOLVED, the applications of new members are hereby accepted and approved.

SAFETY REPORT

Mr. Lowder presented the Safety Report indicating there had been no Lost Time accidents, no OSHA Recordable accidents, no employee injuries, no vehicle accidents, no consumer damage claims, and no miscellaneous accidents reported in January 2019. On motion by William Robinson, seconded by Willie Jeffries, and carried, the Safety Report was accepted.

UPDATES

CENTRAL UPDATE

The CEO informed the Board that he posted the ICF Report on the potential for the sale of Santee Cooper on BoardPaq for them to read at their leisure. The State of South Carolina is going through a process now of what to do with Santee Cooper.

STATEWIDE UPDATE

Chad Lowder informed the Board that he posted the ECSC Board Meeting Highlights on BoardPaq for the Board to review. The legislation affecting electric cooperative governance is expected to go to the full House. A Senate version has also been introduced, which is very similar to the House version. Mr. Lowder then reported that Statewide is hosting a fundraising event for Congressman Jim Clyburn on March 19th. Those interested in making a personal donation should make checks payable to "Friends of Jim Clyburn." A fundraising letter is posted in BoardPaq. This event announcement was accepted as information.

OLD BUSINESS

REQUESTS BY MEMBERS

Chad Lowder reported that a member request is posted in BoardPaq, along with Mr. Lowder's response to the member. Although the member made some valid suggestions, Mr. Lowder recommended that the board not take any action until we know what the legislation says. John Felder concurred that it would be best to wait until legislation is passed before making any changes.

NEW BUSINESS

2018 BAD DEBT WRITE-OFFS

At the recommendation of the CEO, on motion by George Wilson, seconded by Jackie Shaw, and carried, the Net Bad Debt write-off for 2018 in the amount of \$118,159.86, which is 0.26 % of total revenue, was approved.

FRANCHISE/TERRITORY UPDATE

The Franchise/Territory update will be carried over to the March 2019 meeting.

FIRST QUARTER DISTRICT MEETING/DATE CHANGE

Due to a scheduling conflict, the CEO announced that the date of the First Quarter District Meeting was moved to April 15th. The meeting will take place at the Garners Ferry Activity Center, located at 8620 Garners Ferry Road, Hopkins, SC at 6:00 p.m.

COMMUNITY DONATION REQUESTS

Chad Lowder explained that the Cooperative is one of the sponsors of the Annual July 4th Fireworks Show in St. Matthews every year. In addition, he presented three other community events that the Cooperative will sponsor according to our budget in 2019; the Lower Richland Sweet Potato Festival, the *Read Across America* event with Vance-Providence Elementary School, and the Spring Follies event with the Ellore Heritage Museum & Cultural Center. Money spent on these events will count as marketing dollars toward our Touchstone Energy requirement.

REPLACEMENT OF OPERATION ROUND UP BOARD MEMBERS

The CEO informed the Board that several Tri-County Electric Trust Board Members' terms will expire in August 2019, one Board Members' term expired in August 2018, and one Board Member passed away last year. The Board was asked to nominate replacements for those seats.

RESOLUTION – CFC EMERGENCY LINE OF CREDIT

On motion by William Robinson, seconded by Gary Geiger, and carried, the following resolution was approved:

RESOLVED, that, in the event of an emergency, whereby time is of the essence, the Cooperative may apply to establish a line of credit and authorize borrowing from National

Rural Utilities Cooperative Finance Corporation ("CFC") in an amount which shall not at any one time exceed \$5,000,000.00 (the "Line of Credit Amount"), for a term which shall not exceed 60 months, subject to the provisions of a Line of Credit Agreement, in such form as may be negotiated with CFC (the "Line of Credit Agreement"), and to pay such interest rate or rates as shall be prescribed in the Line of Credit Agreement; and,

RESOLVED, that, if such application is approved by CFC, the individuals listed below, or their respective successors (immediate or otherwise) in such Office, are hereby authorized to execute and to deliver to CFC the following documents:

- a) the Line of Credit Agreement with CFC; and
- b) if required by CFC as a condition of its approval of the line of credit, as many counterparts as may be required of such documents granting CFC a security interest in the Cooperative's property, in such form as may be negotiated with CFC.

RESOLVED, that each of the following individuals, or their respective successors (immediate or otherwise) in such Office, is hereby authorized in the name and on behalf of the Cooperative to negotiate, to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Line of Credit Agreement as such individual may deem appropriate within the Line of Credit Amount so authorized, and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office or Title</u>	<u>Name (typed or printed)</u>
<u>CEO</u>	<u>CHAD T LOWDER</u>
<u>CAO</u>	<u>MICHAEL WEEKS</u>

RESOLUTION – DEFERRAL OF 2018 MARGINS

On motion by William Robinson, seconded by Willie Jeffries, and carried, the following resolution was approved:

BE IT RESOLVED, that the Board of Trustees of Tri-County Electric Cooperative, Inc. approves the Deferred Revenue Plan.

**TRI-COUNTY ELECTRIC COOPERATIVE, INC.
DEFERRED REVENUE PLAN**

General

Tri-County 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, Tri-County 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, deferrals will be as follows:

Year	Amount Deferred
2018	\$500,000

The deferral would be recognized based on the following schedule:

Year	Amount Recognized
2019	\$0
2020	0
2021	0
2022	250,000
2023	250,000

Escrow of Funds

The board of directors specified the deferred funds be held in a special fund or the Central Electric Power Cooperative, Inc line of credit program until such time as a like amount is subsequently amortized into revenue.

Tax Status

Tri-County Electric Cooperative, Inc. operates as a tax-exempt entity under Section 501(c)12 of the Internal Revenue Service Code. The board of directors of Tri County Electric Cooperative, Inc. is aware of the potential impact of revenue deferral on its tax-exempt and cooperative statuses and, accordingly, intends to assign 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, 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:

Account Number	Description	Debit	Credit
	(1)		
451.05	Miscellaneous Service Revenues	XXX	
254.01	Other Regulatory Liabilities-Revenue Deferral		XXX
To record revenue deferral.			
	(2)		
128.02	Other Special Funds-Deferred Revenue	XXX	
131.10	Cash		XXX
To record deposit of deferred revenue in a special account until recognized as revenue.			
	(3)		
131.10	Cash	XXX	
254.01	Other Regulatory Liabilities-Revenue Deferral	XXX	
451.05	Miscellaneous Service Revenues		XXX
128.02	Other Special Funds-Deferred Revenue		XXX
To record recognition of deferred revenue 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 because of an increase in cost of power.
- Balance at end of year by years remaining for recognition.

If the rate of deferral changes, a new board resolution would be prepared.

Other

The plan has given consideration to Internal Revenue Service Regulations, ASC 980 and 18CFR 101. The plan was developed to comply with all above referenced documents.

RESOLUTION – LETTER OF CREDIT FROM CFC FOR S. C. PUBLIC SERVICE AUTHORITY

On motion by James Dantzler, seconded by Willie Jeffries, and carried, the following resolution was approved:

RESOLVED, that the Cooperative is hereby authorized to apply for a letter of credit to be issued by national Rural Utilities Cooperative Finance Corporation (“CFC”) for the account of the Cooperative’s subsidiary TriCo Development, LLC, in accordance with the terms and conditions of a Letter of Credit Reimbursement Agreement with CFC in such form as the individuals authorized herein may negotiate with CFC (the “Letter of Credit Agreement”), *provided that* such letter of credit shall be issued to the South Carolina Public Service Authority, as Beneficiary thereof and shall be in an aggregate face amount not to exceed \$1,950,000.00;

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the Letter of Credit Agreement;

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to execute any future amendments to said Agreement as such individual may deem appropriate within the amount so authorized and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

Office or Title
CEO

Name (typed or printed)
Chad T. Lowder

Approval of New Logo

Chad Lowder presented the Strategic Assessment of goals for the Cooperative moving forward that he shared with the employees, along with the proposed new logo. On motion by Jacqueline Shaw, seconded by George Wilson, and carried, the new logo was approved.

CEO COMMENTS

The CEO explained that he has been interviewed by Dr. Taylor, a Professor from the University of California Davis, who is writing a paper on “Why Co-ops Work”. Dr. Taylor wants to do a white paper on Tri-County and the changes we went through in 2018.

Executive Session

On motion by Ida Dixon, seconded by James Dantzer, and carried, the Board entered executive session to receive legal advice and discuss economic development matters.

Adjournment

There being no further business, on motion by George Wilson, seconded by Jacqueline Shaw, and carried, the meeting was adjourned.

Jacqueline S. Shaw

Jacqueline S. Shaw, Secretary

APPROVED:

Barbara F. Weston

Barbara F. Weston, President