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December 20, 2021

Via Email Only

Board of Trustees
Little River Electric Cooperative, Inc.
c/o Jeff Lewis
300 Cambridge Street
Abbeville, SC 29620
jlewis@lreci.coop

RE: Electric Cooperative 2021 Compliance Examination in Accordance with S.C. Code Ann. § 33-49-150(A)

Dear Members of the Board:

In accordance with S.C. Code Ann. § 33-49-150(A), the South Carolina Office of Regulatory Staff ("ORS") has conducted its examination of Little River Electric Cooperative, Inc. ("the Cooperative"), pursuant to the provisions of Act 56 which was enacted in 2019, relating to compliance with the provisions of the Act.

ORS conducted its examination in accordance with amended Section 58-4-50. Sections of the Act covered by our examination are listed as follows:

- 33-49-255 - Restrictions on Interruption of Electric Service to Residential Customers for Nonpayment of Bill; Exceptions and Complaints
- 33-49-280 - Bylaws
- 33-49-420 - Meetings
- 33-49-430 - Quorum
- 33-49-440 - Voting
- 33-49-450 - Disposition of Propositions Presented by Not Less Than Ten Percent of Members
- 33-49-610 - Trustees
- 33-49-615 - Disclosure of Compensation and Benefits
- 33-49-620 - Voting Districts for Trustees and For Delegates
- 33-49-625 - Notice, Votes, and Minutes
- 33-49-630 - Compensation or Employment of Trustee; Actions and Conduct Prohibited
- 33-49-640 - Annual Election and Term of Trustees
- 33-49-645 - Conduct of Elections
- 33-49-1420 - Termination Procedures; Contents

Accordingly, the timing and extent of our tests were conducted as follows:

- (1) The examination involved testing compliance with the sections of Act 56 listed above, for the period from the effective date of the provision to June 30, 2021.
- (2) ORS's examination procedures included the following: questionnaires, inquiries, review of the Cooperative's bylaws, review of board meeting notices, review of minutes of meetings, review of Trustee compensation and benefits related to board meeting attendance, and other analytical analysis.

Based upon the examination procedures performed and the results obtained from the examination and the affirmations provided, the Cooperative is in compliance with Act 56.

As part of our examination, ORS has the following recommendations:

Regarding the disclosure to cooperative membership on the Cooperative's website of all compensation and benefits, by category, paid to or provided for board members, S.C. Code Ann. § 33-49-615(A)(8) requires this disclosure include as a separate category the total value of and a description of any goods or services required to be disclosed by Section 33-49-630(C)(3). Section 33-49-630(C)(3) requires that trustees disclose to their boards the acceptance of any goods or services of more than \$25 in value that are furnished by a company of which the Cooperative is not an owner or member that the trustee knows, has, or seeks a business relationship with the Cooperative (other than a cooperative membership) which are not furnished on the same terms or at the same expense as to a member of the general public or to general attendees of functions. The Cooperative made the section 33-49-615(A)(8) disclosure on a line labeled Miscellaneous with a general footnote. This line had various amounts listed in it for different board members. The Cooperative clarified separately to ORS the amounts listed in this line were for gifts from the Cooperative to its board members, and there were no goods or services required to be disclosed under section 33-49-615(A)(8). The disclosure under section 33-49-615(A)(8) is for goods and services from companies that have or seek a business relationship with the cooperative and needs to be separate and distinct. If there are no goods or services to be disclosed under section 33-49-615(A)(8), a clear statement to this effect should be included on the disclosure to the membership. Further, if in the future there are goods or services that need to be disclosed, a meaningful description of the goods or services needs to be included on the disclosure, along with the total value.

In addition, S.C. Code Ann. § 33-49-615(A)(7) requires the compensation disclosure to the membership include as a separate category both the total value and a description of any other fringe benefits provided to Board members. In the review letters ORS sent at the conclusion of the audit in 2020, ORS noted the descriptions many cooperatives provided were very limited, including the use of "Insurance premiums and other benefits" without further explanation. In its current audit, ORS noted the Cooperative used "Insurance premiums and other benefits" as the description in its 2020 disclosure without further information being provided in a footnote or elsewhere. To ensure greater transparency to membership, ORS continues to recommend including a description of the types of insurance premiums paid (i.e., medical, dental, vision, life, cancer, etc.), if insurance is a benefit provided to board members. If fringe benefits other than or in addition to insurance are provided, ORS recommends a meaningful description of those be included, also.

Letter - Little River Electric Cooperative, Inc.
Page 3 of 3
December 20, 2021

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Herpel', written over a horizontal line.

David Herpel, CPA
ORS Audit Manager

cc: Christopher R. Koon, Esquire (via email)