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November 7, 2022

Via Email Only

Board of Trustees  
Palmetto Electric Cooperative, Inc.  
c/o Berl Davis  
1121 N. Pike W.  
Sumter, SC 29153  
BDavis@palmetto.coop

Re: 2022 Compliance Examination in Accordance with S.C. Code Ann. § 33-49-615 Disclosure of Compensation and Benefits, and S.C. Code Ann. § 33-49-630(A) Compensation of trustee related to meeting attendance.

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 examined Palmetto Electric Cooperative, Inc.'s ("the Cooperative") compliance with S.C. Code Ann. § 33-49-615, which requires disclosures of the compensation or benefits by category paid to or provided for board of trustee members during the previous calendar year, and ORS also examined compliance with S.C. Code Ann. § 33-49-630(A), which provides that compensation shall not be paid except for actual attendance upon activities authorized by the board. The time period examined was the 2021 calendar year. The disclosures required by S.C. Code Ann. § 33-49-615 for the 2021 calendar year were required to be made no later than May 15, 2022. S.C. Code Ann. § 33-49-615 went into effect on May 1, 2020, and is one of the provisions in Act 56, which was enacted in 2019.

Our compliance examination verified that the following information regarding board member compensation and benefits for the 2021 calendar year was disclosed at a location accessible and visible to the cooperative membership on the Cooperative's website by May 15, 2022: (1) daily per diem amounts; (2) total per diem compensation for attendance at meetings of cooperative service organizations; (3) total per diem compensation for attendance at regular and special meetings, including board of trustee committee meetings, (4) total per diem compensation for trustee training and certification; (5) total expenses paid or reimbursed, including mileage, subsistence, entertainment or travel expenses paid in conjunction with the preceding four items; (6) total value of and description of any other fringe benefit provided, and (7) the total value of and a description of any goods or services required to be disclosed by S.C. Code Ann. § 33-49-630(C)(3).

Our compliance examination also included limited inquiries, review of minutes of meetings, and review of amended bylaws, if applicable.

Based upon the examination procedures performed and the results obtained, it appears that the Cooperative is in compliance with S.C. Code Ann. §§ 33-49-615 and 33-49-630(A).

Other:

It is ORS's position that the annual compensation and benefits disclosure posted to an electric cooperative's website per S.C. Code Ann. § 33-49-615(A) shall include compensation or benefits board of trustee members receive from affiliates or subsidiaries of the electric cooperative. If not included on the Cooperative's 2021 calendar year disclosure, ORS understands that the Cooperative agrees to include all subsidiary and affiliate compensation and benefits beginning with its 2022 calendar year disclosure which must be posted by May 15, 2023. Starting with the Cooperative's 2022 calendar year disclosure, future ORS compensation and benefits reviews will include procedures covering disclosures of subsidiary and affiliate compensation.

For future reviews of the Electric Cooperatives and the Association, ORS is planning the following audit schedule:

1. In 2021, compliance reviews were completed covering the major provisions of S.C. Code Ann. § 33-49-150(A) for the period ending June 30, 2021. For the Cooperatives that received reports that included written findings, the ORS will follow up with those organizations and review their corrective actions. This work will be completed before then end of 2022.
2. For calendar year 2023 and each year thereafter, the ORS will:
  - a) Review each Cooperative's and the Association's disclosure of compensation and benefits as required by S.C. Code Ann. § 33-49-615, which requires disclosing the compensation or benefits by category paid to or provided for board of trustee members during the previous calendar year. These disclosures are required to be made by a Cooperative no later than May 15 and disclose amounts paid for the previous calendar year.
  - b) Review each Cooperative's and the Association's compliance with S.C. Code Ann. § 33-49-630(A), which provides that compensation shall not be paid except for actual attendance upon activities authorized by the board. The review period will be the same as covered in the compensation and benefits review.

Regarding comprehensive audits (beyond examining Compensation and Benefits disclosures), the ORS is proposing a three (3) year rotation auditing eight (8) entities per year. The audit rotation schedule for comprehensive audits would begin in 2024 as follows:

1. **2024 Comprehensive Audits:**
  - Conduct 8 comprehensive audits covering a test period from July 1, 2021 to December 31, 2023. (Test period is 2.5 years)
  - The initial selection of 8 will be randomly selected from the 24 entities subject to review.
2. **2025 Comprehensive Audits:**
  - Conduct 8 comprehensive audits covering a test period July 1, 2021, to December 31, 2024. (Test period is 3.5 years)

Letter – Palmetto Electric Cooperative, Inc.

Page 3 of 3

November 7, 2022

- This next selection of 8 will be randomly selected from the remaining 16 entities subject to review.

**3. 2026 Comprehensive Audits:**

- Conduct 8 comprehensive audits covering a test period July 1, 2021, to December 31, 2025. (Test period is 4.5 years)
- The remaining 8 entities will be included in this rotation.

**4. In 2027 the rotation would start over.**

The ORS is requesting your feedback on this proposed schedule no later than December 31, 2022.

Sincerely,



David Herpel, CPA  
Audit Manager

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