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December 20, 2021

Via Email Only

Board of Trustees
Broad River Electric Cooperative, Inc.
c/o Terry Mallard
811 Hamrick Street
Gaffney, SC 29340
tmallard@broadriverelectric.com

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 Broad 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:

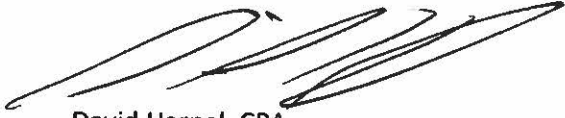
Regarding the disclosure to cooperative membership on the Cooperative's website of all compensation and benefits, by category, paid to or provided for board members, S.C. Code Ann. § 33-49-615(A)(8) requires this disclosure include as a separate category the total value of and a description of any goods 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. ORS was unable to determine whether the Cooperative made a section 33-49-615(A)(8) disclosure on its 2020 compensation disclosure to its membership. The Cooperative clarified separately to ORS there were no good or services required to be disclosed under section 33-49-615(A)(8). The disclosure under section 33-49-615(A)(8) 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 substantive description of the actual 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 its current audit, ORS noted the Cooperative used "Insurance premiums" 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, similar to the footnote 1 the Cooperative included with its 2019 compensation disclosure. If fringe benefits other than or in addition to insurance are provided, ORS recommends a substantive description of those be included, also.

For the "Expenses paid, reimbursed" line, ORS recommends a description of what is included in this line be provided on the compensation disclosure similar to what the Cooperative included as footnote 3 on its 2019 disclosure.

Letter - Broad River Electric Cooperative, Inc.
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Sincerely,

A handwritten signature in black ink, appearing to read 'D Herpel', with a stylized flourish at the end.

David Herpel, CPA
ORS Audit Manager

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