



1401 Main Street, Suite 900
Columbia, SC 29201

Phone: (803) 737-0800
www.regulatorystaff.sc.gov

December 20, 2021

Via Email Only

Board of Trustees
Coastal Electric Cooperative, Inc.
c/o Mark Walling
2269 Jefferies Highway
Walterboro, SC 29488
mark.walling@coastal.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 Coastal Carolina 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, we have the following recommendations:

1. 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)(7) requires this disclosure 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 "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 substantive description of all fringe benefits. For example, if insurance is a benefit provided, ORS recommends the types of insurance provided be described (i.e., medical, dental, vision, life, cancer, etc.). If fringe benefits other than or in addition to insurance are provided, ORS recommends a substantive description of those be included, also.
2. In addition, on the 2020 compensation disclosure published to the membership on the Cooperative's website, the Cooperative reported the total amount of compensation or benefits paid to or provided for board members as a lump sum for each board member. However, these amounts are not broken out by categories as required by S.C. Code Ann. § 33-49-615(A). The Cooperative did provide a separate disclosure to the membership showing amounts paid by categories for the entire board but not broken down by individual board member. Nineteen out of twenty-two cooperatives audited by ORS provided the disclosures using the categories required under section 33-49-615 broken down by individual board members. As in the review letter after the 2020 audit, ORS continues to recommend that all cooperatives break down their disclosures of compensation on a per board member basis to ensure greater transparency to the membership.

Sincerely,



David Herpel, CPA
ORS Audit Manager

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