

Beginning with the title and throughout, this summary takes ownership of the new requirements to say, in effect, "This is something we're doing" rather than "Here's what a new law is making us do."

## Our commitment to transparency and accountability

[ \_\_\_\_\_ ] Electric Cooperative worked with the S.C. General Assembly during the 2019 legislative session in support of new rules for transparency and accountability for electric cooperatives. The new law provides cooperative members with the information they need regarding the utilities they own, while maintaining the independence of these private, member-owned companies. Here is a summary of some of the procedures we will be following.

### ELECTION OF TRUSTEES

**Residency.** Rather than have a separate set of residency requirements, the cooperative will follow state voter registration rules. As the law states, "Unless otherwise provided in the bylaws, each trustee's principal residence, as determined by South Carolina voter registration law, must be served by the cooperative." That means the residence used when you registered to vote or that would be used if you are not registered to vote.

**Nominations.** Incumbent trustees seeking reelection will not directly or indirectly influence the nomination or credentials process.

*[Delete this item if your cooperative requires NO MORE THAN 50 signatures for petition candidates.]*

**Petition candidates.** The cooperative's bylaws require someone who wants to run for the board, but who is not nominated by the nominations committee, to obtain the signatures of at least 1% of the co-op's members. Those signatures (and other required information) may be obtained on paper petitions available from the cooperative, or they may be submitted electronically. Contact the cooperative to ensure correct procedures are followed.

**Voting.** Polling locations will be open for at least four hours at the annual meeting. If there is a contested race for a seat on the board, early voting opportunities will be provided on a day before the annual meeting and will be open from 7 a.m. to 7 p.m. Accommodations will be provided for the elderly, disabled, or infirmed.

Campaigning will be prohibited within a specified distance of the polling place that reasonably ensures cooperative members are able to vote without harassment, intimidation or interference.

**Vacancies.** If a vacancy on the board of trustees occurs less than six months from the next annual meeting, the seat will only be filled by a vote of the members.

If a vacancy occurs more than six months from the next annual meeting, the co-op's nominations committee may appoint an interim trustee to serve until the next annual meeting, not the full unexpired term. The interim trustee

will not be related to or associated with the departing trustee. The interim trustee may run for the remainder of the term at the next annual meeting.

### ANNUAL MEMBERSHIP MEETINGS

**Notification.** Between 30 and 45 days prior to meetings of the membership, the cooperative will provide notice of the meeting. The cooperative will provide this notice in a posting at cooperative offices and on the website within the members-only section.

### BOARD MEETINGS

**Notification.** Notice of all regular meetings of the board of trustees will be posted in the members-only section of the cooperative's website and at the cooperative's headquarters at least 10 days before the meeting. The notice will state the time, place, location and purpose of the meeting.

Notice of emergency meetings of the board will be posted online and at the cooperative's headquarters at least 24 hours before the meeting. Emergency meetings of the board will be called when appropriate to deal with extraordinary circumstances, but the board of trustees will not make decisions regarding rates, fees, charges, board of trustees' composition or board of trustees' compensation at an emergency meeting.

**Board votes.** All votes cast by trustees at these meetings will be taken on the record. However, the board may go into executive sessions for matters related to employees; contracts or agreements with vendors or suppliers; cooperative members that involve account or personal information; economic development that involves potentially identifiable information about businesses or industries that might be locating or expanding in or near the cooperative territory; information or physical security measures; legal advice; and matters not specifically listed but determined by the board, on the advice of counsel, to constitute a reasonable risk of damage to the cooperative membership due to the release of proprietary, personnel, member or account information.

Where votes are taken in executive session, the vote then will be ratified on the record in a manner that does not compromise the purpose of the executive session.

Board meeting minutes will be provided within ten days of their approval to cooperative members in the same manner that notice of the meeting was provided.

## DISCLOSURES

By May 15 each year, the cooperative will post online in the members-only section all compensation or benefits by category paid to or provided for board members during the previous calendar year. This practice will begin by May 15, 2020, with information applicable to 2019.

Website disclosures will include the daily per diem amount; total per diem compensation paid for attendance at regular meetings of the board of trustees; total per diem compensation for attendance at special meetings of the board, including board of trustee committee meetings; total per diem compensation for attendance at meetings of cooperative service organizations; total per diem compensation for trustee training and certification; total expenses paid or reimbursed, including mileage, subsistence, entertainment or travel expenses paid in conjunction with such meetings; the total value of and a description of any other fringe benefits provided; and the total value of and a description of any goods or services provided by third parties as required to be disclosed by law.

## TRUSTEE COMPENSATION

Board members will not knowingly use their position as a trustee to obtain an economic interest, in addition to compensation, for themselves, a family member, an associated individual or an associated business.

However, board members can accept goods or services — such as lodging, transportation, entertainment, food, meals/beverages, or anything of value — under certain conditions:

- (1) Trustees may accept goods or services if the value is reasonable and the relates to their duties.
- (2) Trustees may accept goods or services if the value is furnished on the same terms or at the same expense to a member of the general public or to general attendees of functions deemed reasonable by the board for the fulfillment of duties.
- (3) Trustees will disclose to the board the acceptance of the good or service if the value is more than \$25 and is furnished by a company that the trustee knows has or seeks a business relationship with the cooperative on

whose board the trustee serves, and the cooperative is not an owner or a member of the that company.

## ORS EXAMINATIONS

The state Office of Regulatory Staff (ORS), which is essentially a law firm for the public in proceedings before the state Public Service Commission, can conduct “audits, inspections and examinations” of an electric cooperative when the executive director considers it necessary and in the public interest. The examinations are not traditional financial audits but rather an examination of defined areas. They include: unreasonable discrimination between rate classes; prepay policies; extreme weather and special needs account policies; bylaws, member meetings, quorum, voting, member petitions; and trustees, website disclosure, voting districts, notices, trustee compensation, trustee election and campaigning.

The law recognizes that electric cooperatives are private, member-owned businesses, so there is a limitation on the reach of the ORS examinations. It is known as the business judgment rule: “Where an electric cooperative board of trustees has exercised its business judgment in accordance with sound business and management practices and consistent with the long-term financial stability of the cooperative and the benefit of its members, the Office of Regulatory Staff is not authorized to disturb the resulting decisions of the electric cooperative.”

After an examination is completed, ORS must report its findings to the board of trustees and attempt to resolve any compliance issues. If issues remain in dispute, the PSC has authority to resolve them. Previously, such issues would likely go to circuit court, probably delaying resolution.

The PSC may not set electric co-op rates. That responsibility has always been reserved for the members’ elected representatives—the board of trustees. That responsibility remains unchanged.

The actual expenses of an examination will be assessed directly to the co-op. (ORS is mostly funded by the investor-owned utilities it regulates, not through state funds, so the law prescribes that co-ops pay for the expenses related to their oversight.)

LG/lg

May 17, 2019

For questions contact Lou Green, 803-739-3042