

MINUTES OF THE STRATEGIC PLANNING BOARD MEETING
OF THE BOARD OF DIRECTORS
OF
FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.

August 26-27, 2024

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday and Tuesday, August 26-27, 2024, at the Holiday Inn West Yellowstone, Montana. Having determined a quorum was present, President Behrens called the meeting to order at 9:00 a.m. Angie Haws recorded the minutes. The invocation was given by Doug Schmier. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Georg Behrens, Vice President Brent “Husk” Crowther, and Secretary/Treasurer Jodi Stiehl

DIRECTORS PRESENT

Past President Dede Draper, Anna Lindstedt, Jeff Keay, Travis Markegard, Brent Robson, and Doug Schmier

DIRECTORS ABSENT

None

OTHERS

CEO/General Manager Bryan Case, Attorney Jerry Rigby, CFO Linden Barney, Engineering Manager Dave Peterson, Operations Manager Randy Wakefield, IT Manager Shannon Hill, Member Services Manager Clint Washburn, Guests Russ Schneider GDS/EES Consulting, Jessica Matlock PNGC CEO, Paul Thomsen ORMAT, Kayla Dowty ORMAT, Henry Cano NRECA Business and Technology Strategist, and Executive Assistant Angie Haws.

APPROVAL OF AGENDA

Director Robson made a motion to approve the agenda as amended. Director Keay seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES FOR JULY 22, 2024

Director Robson made a motion to approve the minutes from the July 22, 2024, Board Meeting as presented. Director Keay seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENTS

The board reviewed member comments and communications.

SCHOLARSHIP REPORT ASHLYNN ROOS

Included in the board packet.

COMMUNITY PAGE OF TETON COUNTY IDAHO – MEMBER COMMENTS

Included in the board packet.

FINANCIAL & STATISTICAL REPORTS

JULY 31, 2024, FINANCIAL REPORTS

CFO Linden Barney reported the net margins YTD are \$2.6 million ahead of budget through July and revenue net of power costs accounts for \$1.6 million of the variances. Revenue is higher than budget due to higher than anticipated kWh sales. The higher costs of purchased power have been offset by higher-than-expected revenues from Fall River's share of Grant PUD hydroelectric generation and additional RTC credits. Power production expenses are also lower than budget due to lower resource support services on FR hydros and lower out-of-pocket maintenance expenses. Other significant variances include building maintenance items and labor and overhead, both of which we anticipate getting closer to budget as the year progresses.

The Cooperative has YTD generated \$6.9 million from operations, \$6.6 million has been invested in plant and materials and \$2.2 million of long-term debt has been paid. The Cooperative's equity ratio is 52% and the annualized growth in services is just over 3%, which is down slightly. YTD 31% of the capital budget has been spent and this includes carryover items.

The board discussed equity, projected growth, retired services, peaks, expenses, power costs and trends.

FALL RIVER 990 TAX REVIEW

The 990-tax form was included in the board packet for review. CEO Case and CFO Linden Barney provided an overview of the information included in the Form 990 and asked if there were any questions regarding the filing or the purpose of the Board's annual review of the form.

Director Robson made a motion the board has reviewed and accept the Fall River Electric tax form 990, as presented; Director Schmier seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

FALL RIVER COST OF SERVICE ANALYSIS & FINANCIAL FORECAST – RUSS SCHNEIDER, SENIOR PROJECT MANAGER

GDS/EES COST OF SERVICE ANALYSIS

Russ Schneider with EES/GDS reviewed the Cost-of-Service Analysis (COSA) with the Board noting the key revenue requirement assumptions which were based on expense escalation, current rate revenues applied to forecasted loads and the projected load growth over the next ten years.

FALL RIVER TEN-YEAR FINANCIAL FORECAST

Included in the board packet.

FALL RIVER RETAIL RATE DISCUSSION TOPICS AND HIGHLIGHTS

CEO Case discussed Fall River's strategies that have allowed the Cooperative to avoid significant rate increases while most electric utilities have implemented or are seeking double digit retail rate increases. Fall River was able to avoid general retail rate increases

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for nine years from 2014 through 2023 with a rate decrease of 1.9% in 2022. In January of 2024, Fall River increased overall rates by 4%. The actual impact to members varied depending on how and when they used energy but were relatively small increases. General inflation, robust growth in new services and increases in demand and use of energy per meter are contributing to the need for rate increases over the next several years. The primary driver of increased costs is the increase in purchased power costs. The cost-of-service analysis (COSA) points to a 5.8% overall rate increase needed in 2025 (without relying on financial tools for smoothing) and a 12.3% general rate increase for 2026. Staff recommendation was included in the board packet. The Board will further discuss the tools available and consider the staff's recommendations making a Board decision at the September board meeting.

FALL RIVER EMPLOYEE 401(K) -RESOLUTION ALLOWING NEW EMPLOYEES TO BE ABLE TO PERSONALLY MAKE CONTRIBUTIONS TO THE 401(K) 30 DAYS AFTER EMPLOYMENT STARTS

CEO Case stated this proposed change does not add any additional cost to the Cooperative, as it only provides new employees the option to make personal contributions to their 401(k) plan 30 days after they begin employment. CEO Case noted that currently employees must wait until the completion of one year of eligible service before contributing to their 401(k) plan. The employer contribution requirements will remain unchanged.

Past President Draper made a motion to approve Resolution #655, 401(k) Amendment Agreement as presented allowing new employees to personally make contributions to their 401(k) 30 days after employment starts. Director Markegard seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BPA UPDATES

2026-2028 RATE CASE UPDATE

CEO Case updated the Board on changes to BPA's rate design and Tier 2 costs through 2028 that are being developed, noting capacity and demand charges are proposed to increase significantly.

PROVIDER OF CHOICE TOPICS

CEO Case stated that there will be more to discuss regarding the JOE status and Tier 2 power costs which will likely be decided by Bonneville in 2025. Post 2028 contract topics such as potential Tier 1 and Tier 2 power offerings, development of power markets, products available, timelines, flexibility, reliability, off ramps, and resource acquisition decisions were also discussed.

COLUMBIA RIVER TREATY UPDATE

The Board discussed the Columbia River Treaty and potential impacts resulting from negotiations regarding capacity and power costs. CEO Case noted with this agreement in principle (AIP) it is generally positive and in line with the advocacy of Fall River. FR will monitor details as they unfold. Case noted with this agreement, flood cost mitigation would be the US government's responsibility which previously fell on the BPA customers and ultimately the electric rate payers. The board discussed reparations and other agreement decisions as examples.

PNGC HIGHLIGHTS AND RESOLUTION

FALL RIVER CURRENT AHWM PURCHASE POWER ELECTIONS

CEO Case reviewed the timeline for FR's upcoming purchase of power elections. Topics to address during the strategic planning session with PNGC CEO Jessica Matlock were noted.

PNGC EFFORTS TO DEFEND JOE STATUS

LETTER TO JOHN HAIRSTON

Included in the board packet.

EMAIL TO IDAHO CONGRESSMAN SIMPSON

Included in the board packet.

DIRECTOR AND ALTERNATE RESOLUTION

Past President Draper made a motion to approve a Resolution nominating Bryan Case as a Director of the Pacific Northwest Generating Cooperative (PNGC) and Georg Behrens Alternate. Vice President Crowther seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FALL RIVER ANNUAL MEETING COSTS

The Board reviewed and discussed the 2024 Energy Expo Annual Meeting costs. Specific topics of note were community/member engagement, transparency/trust, feedback/collaboration, education/information, marketing/promotion, and family inclusion/membership growth. The consensus of the board was to continue with the same format while continuing to look for opportunities to be frugal in the cost, balancing opportunities to effectively engage and interact with Fall River members.

MONTANA GOVERNOR DINNER – TALKING POINTS

Secretary Stiehl reported on the MECA opportunity to meet with Montana's Governor Gianforte.

The following talking points were included in the board packet as important issues to Fall River Electric:

Reliability for Fall River, Montana, and the Greater NW: Rising Demand vs. Generation Challenges, Inadequacy of Intermittent Renewables Alone, Risk of Power Shortages and Rolling Blackouts, Importance of a Diverse Energy Mix, Impact on Future Economic and Energy Goals.

Defend the Value of the Federal Columbia River Power System (FCRPS) & the Lower

Snake River Dams (LSRDs): Vital Hydropower Resources, Environmental Impact and NEPA Review, Salmon Recovery Efforts, Economic Importance of the LSRDs, Climate Change Mitigation, Comprehensive Planning and Stakeholder Engagement.

Support for a Future Regional Transmission Organization (RTO) or an Independent System Operator (ISO): Enhanced Grid Reliability, Potential for Cost Savings for Consumers, Efficient Resource Utilization, Equitable Governance, Alignment with

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Regional Priorities.

ELECTIONS FOR PPC EXECUTIVE COMMITTEE – DISCUSSION

CEO Case stated there is an opportunity for him to run in the election to serve on the PPC Executive Committee if the FR Board would support him in that. The board verbally supported Case in his pursuit of serving on the PPC Executive Committee.

MULTI-FACTOR AUTHENTICATION MFA TRAINING

IT Manager Shannon Hill provided an overview of Multi-Factor Authentication and its importance as an additional layer of cybersecurity. Hill provided various examples of breaches that can occur. Training on MFA will be provided in more detail at the September board meeting.

COOPERATIVE REPORTS

Director Schmier reported on communications with NWPA and that he will attend NRECA Region 7&9 meetings next month.

Secretary Stiehl reported on MECA meetings and that she will also attend the upcoming NRECA Region 7&9 meeting.

Director Keay reported on FR Propane meeting attended.
President Behrens reported on an article and asked CEO Case to report on ICUA meetings attended.

CEO Case reported on ICUA meetings attended and noted the upcoming ICUA meeting and INL tour in November. All board members able to attend were encouraged to do so.

CONSENT AGENDA

Board and CEO expense reports, New Memberships, Purchase of Power Agreements, Check Report, Safety Report, Early Retirement of Patronage Capital was reviewed by all Board Members in Board Package prior to meeting.

Secretary Stiehl noted an error on an expense report payment that was identified and will be corrected.

Director Robson made a motion to approve the consent agenda as discussed. Director Keay seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

EXECUTIVE SESSION

Vice President Crowther made a motion to go into Executive Session at 12:03 p.m. Director Keay seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Robson made a motion to go out of Executive Session at 12:08 p.m. Vice President Crowther seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

MECA FORM 7 COMPARISON AND ANALYSIS

Included in the board packet.

REXBURG SUBSTATION TRANSFORMER ARRIVAL AND SUMMARY

CEO Case reported that the new Rexburg substation transformer that FR purchased from another utility arrived and it is expected to be installed in September. FR was able to purchase the transformer at significant savings from a utility that no longer had a need for it as the project it was intended for was cancelled. The current transformer at the Rexburg substation will be held in reserve and act as a backup for that location.

OUTAGE CAUSE REVIEW

CEO Case reviewed the process staff use to analyze outage data and implement programs which reduce outages for the Cooperative.

4-H YOUTH ANIMAL AUCTION AND PARTICIPATION

CEO Case reported FR Electric and FR Propane participated in local youth 4-H auctions at the County Fairs in FR service territories. Staff identified the youth of both FR Electric members and FR Propane customers and bid on livestock supporting those youth. Funds are budgeted from FR Electric and are also donated by FR Propane. The contributions are recognized by the youth, their parents, and the auctioneer and represent Cooperative Principle #7 Concern for Community.

EMPLOYEE HOUSING UPDATE

CEO Case updated the Board on employee housing project progress in West Yellowstone, MT and Driggs, ID.

PLANNING FOR ANALYSIS ON PROPANE ORGANIZATIONAL STRUCTURE – DISCUSSION SEPTEMBER 23RD AT 9:00 JOINT MEETING WITH FR PROPANE

FALL RIVER SURPLUS EQUIPMENT AUCTION

CEO Case noted the surplus auction will end Friday August 30th. Information regarding the surplus items is available on FR's social media sites. Inspection of the items is available during business hours in the Ashton office. Winning bidders will be notified after Labor Day weekend. Surplus sale items available were also included in the board packet.

IDAHO LIHEAP LOW-INCOME ENERGY ASSISTANCE PROGRAM HOME ENERGY VENDOR AGREEMENT

Included in the board packet.

HYDRO FACILITIES UPDATE

Island Park, Chester, and Buffalo generated a total of 3,599,132 kWh in July. This amounts to 6.9% of all the kWh billed by PNGC in July and 7.4% of all kWh sold and used by Fall River in July.

Felt Hydro produced 3,182,156 kWh in July. When this is included with Island Park, Chester, and Buffalo it amounts to 13% of all the kWh billed by PNGC in July and 14% of all kWh sold and used by Fall River in July.

ISLAND PARK

Island Park hydro produced 2,843,852 kWh during the month of July.

BUFFALO

Buffalo hydro produced 83,232 kWh during the month of July.

FELT

Felt hydro produced 3,182,156 kWh during the month of July.

CHESTER

Chester Hydro produced 62,089 kWh in the month of July.

IDEA SUPPLY SERVICE SCHEDULE AND AGREEMENT

Included in the board packet.

DONATIONS

Included in the board packet.

FALL RIVER'S MANAGEMENT REPORT

Included in the board packet.

REPORTS BOARD COMMITTEES, MEETINGS, AND MEMBER COMMENTS

EXECUTIVE COMMITTEE

Nothing to report.

ADMINISTRATIVE COMMITTEE

Chairman Stiehl reported the next meeting will be held in October.

ENGINEERING AND OPERATIONS COMMITTEE

Nothing to report.

FINANCE COMMITTEE

Nothing to report.

POLICY COMMITTEE

Chairman Crowther reported the next meeting will be held in November.

ATTORNEY REPORT

Attorney Rigby reported on water rights issues, possible agreements and potential impacts that are yet to be finalized.

2024 CALENDAR

Included on the board agenda.

FALL RIVER STRATEGIC PLANNING SESSION PNGC PRESENTATION

STRATEGIC DIRECTION

PNGC's President and CEO Jessica Matlock presented the strategic direction outlining PNGC's plan and priorities for the future and post 2028 BPA power contracts. Matlock reviewed the resource development plan including various generation projects and their locations. The Board discussed contract language, projects, resources, grants, technologies, risk, product options, costs, and decision timeline.

NEW MEMBER DEVELOPMENT – UPDATE

Included in the board packet.

RESOURCE DEVELOPMENT PLAN

Included in the board packet.

FALL RIVER PNGC 10-YEAR RATE FORECAST

Included in the board packet.

ORMAT – PAUL THOMSEN & KAYLA DOWTY

ORMAT ORGANIZATIONAL OVERVIEW

Ormat Technologies, Inc. is an international company based in Reno, Nevada. They supply alternative and renewable geothermal energy technology. The company has built over 190 power plants and installed over 3,200 MW. Ormat leads the global geothermal sector: exploring, designing, developing, building, owning, and operating geothermal power plants around the world.

With experience gained in more than 30 countries, and from working on dozens of different geothermal development scenarios.

GEOHERMAL TECHNOLOGY

Ormat empowers clients with a comprehensive understanding of how to maximize their geothermal resources and facilities. Every geothermal resource is unique in its composition, each with its own enthalpy, temperature, chemical composition, and depth. Ormat has the technical know-how to find the right balance for each geothermal resource and the power plant technology that will optimize its full potential. Their goal is to maximize the return on investment from the resource, by applying the best options from a variety of technologies, which include Binary Geothermal Power Plants, Two-phased Binary Combined Cycle Units, and Combined Cycle Units. Their unique renewable power solutions based on an Organic Rankine Cycle system developed by Ormat.

OVERVIEW OF OPPORTUNITIES IN THE REGION AND STATE

Paul Thomsen Ormat's VP of Business Development and Kayla Dowty Ormat's Director of Business Development provided information regarding current projects and the increasing value of geothermal in the West.

ADJOURNMENT Monday August 26th at 4:35 p.m.

TUESDAY, AUGUST 27TH

STRATEGIC PLANNING

AI WORKSHOP – HENRY CANO, VENKAT BANUNARAYANAN – NRECA

Henry Cano NRECA Business and Technology Strategist, provided a high-level overview of AI technology with the intent to assist the Board and staff in gaining a better understanding of AI, its implications and to develop a strategic response. Cano shared industry use cases, considerations for capabilities, limitations, risks, impacts, and readiness.

FALL RIVER'S MISSION STATEMENT & STRATEGIC OBJECTIVES

The FR Board and management team participated in an exercise to review and affirm the Cooperative's vision, mission, and strategic outlook. Strategic execution questions were discussed identifying high priority topics, future objectives/aspirations, and the Cooperative's guiding values.

ADJOURNMENT

The meeting was adjourned Tuesday, August 27th at 1:39 p.m.

DATE APPROVED: September 23, 2024


Secretary Jodi Stiehl