

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

December 20, 2021

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, December 20, 2021, virtually and at the main office of Fall River Rural Electric in Ashton, Idaho. Having determined a quorum was present, President Draper called the meeting to order at 10:13 a.m. Executive Assistant Angie Haws recorded the minutes. The invocation was given by Angie Haws. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Dede Draper, Vice President Georg Behrens, Secretary/Treasurer Jodi Stiehl

DIRECTORS PRESENT

Husk Crowther, Jay Hanson, Brent Robson, Doug Schmier, Jeff Keay, and Anna Lindstedt

DIRECTORS ABSENT

None

OTHERS

CEO/General Manager Bryan Case, Attorney Jerry Rigby, CFO Linden Barney, Manager of Engineering Dave Peterson, Manager of HR Clint Washburn, and Executive Assistant Angie Haws.

APPROVAL OF AGENDA

Director Hanson made a motion to approve the agenda as presented. Director Robson seconded. President Draper asked if any were opposed. None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

APPROVAL OF MINUTES

Director Robson made a motion to approve the November 22, 2021, Board Meeting Minutes as presented. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Schmier made a motion to amend the previously approved November 22, 2021, Board Meeting Minutes. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Behrens made a motion to approve the November 22, 2021, Executive Committee Meeting Minutes as presented. Director Schmier seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENTS

POLITICAL DONATIONS DISCUSSION

The board discussed donations, noting that they are nonpartisan, and their impact regarding policy, relationships, visibility, and influence on important issues affecting the Cooperative and its membership. There was additional discussion addressing thoughts on other organizations the

Cooperative is affiliated with and their respective donation practices. The consensus of the board was that while we dislike how political contributions work in process, Fall River realizes the importance of supporting, in a non-partisan fashion, those who support Fall River's positions.

GRAND TARGHEE OUTAGE

CEO Case reported that there was a recent outage that affected the Grand Targhee Resort. Engineering crews were testing relays that had not been communicating remotely. When attempting to reboot the relay, the breaker opened and shut off power to Grand Targhee. Crews were able to bypass the relay and manually reenergize the Resort. CEO Case was in contact with Mr. Gillette regarding the outage. There was valuable discussion, including a review of the current process in place as well as a plan to do an additional test during the summer months.

CEO Case also mentioned the success of the FR Stuff the Truck food drive for local food pantries. There were several members that expressed their thanks. The totals collected at each location will be reported at next month's board meeting.

FINANCIAL & STATISTICAL REPORT

NOVEMBER 30, 2021, FINANCIAL REPORTS

Net margins YTD are \$5.3M. As noted in prior months, net margins are still significantly ahead of budget, as the budget was based on a possible recession and a 5% drop in services. We currently have a 3.6% growth rate in new services. The majority of the budget variance is in revenue net of power costs. Other significant variances include the following:

1. The section 242 payment for Chester hydro production that was not budgeted (-\$115K).
2. Expensed labor and overhead are under budget, but within 2% of budget, and account for \$123K of variance.
3. Interest expense is under budget due to the variable interest rate remaining low, the repricing of \$2.5M of long-term debt from 5.9% interest down to 3.4%, and not needing to borrow additional cash for debt issued to Propane. Interest expense is under budget by \$260K.

Cooperative equity is just under 50% and will likely drop down to approximately 48% after the general retirement of patronage capital in December. Member rebates, if approved, will also reduce the equity ratio. The cash generated from operations YTD is \$8.6M. FR has invested \$2.9M YTD in plant, and \$5.6M in principal payments on long-term debt year-to-date have been made. Controllable operating expense lines were 4.7% under budget in total, and \$4.6M of the capital budget had been spent.

INSTANT OWNER REBATE STAFF RECOMMENDATION

CEO Case stated that given the Cooperative's strong financial position, significant cash balance, and current equity level, the board and staff are looking for ways to retain targeted equity levels by returning money to members while still maintaining a strong financial position. Fall River has taken the following actions:

1. In October, the board approved an overall general retail rate decrease of 1.9%, effective January 2022.

2. The Board also approved a general retirement of patronage capital based on a moving 10-year average of allocated margins, which increases the amount of patronage capital retirement. This action reduced the years of outstanding patronage to 18 years, typically a 20-year rotation cycle, and returned \$1.7M back to our members this month.
3. Finally, another tool being considered is an instant owner rebate. Fall River has used this tool twice in the history of the Cooperative. Once in 2019, Fall River returned \$500K, and in 2021, the Cooperative returned \$1M in an instant owner rebate.

Staff recommends the board consider an owner rebate of \$1.5M, which would be shown as a credit on the members' billing statements. With this level of rebate, along with the general retirement (paid earlier this month) and budgeted margins for December, staff anticipates an equity ratio at year end of 48%, TIER of 2.9, and a debt service coverage ratio of approximately 1.5. The anticipated equity ratio is strong but not excessive. In addition, Fall River is required to maintain a 1.35 debt service coverage ratio, and the recommended rebate amount leaves enough room in this ratio to work through some of the uncertainties noted above.

The board discussed staff's recommendation and addressed the following topics: future projects, investments, rates, infrastructure, communications to membership, and equity position.

Director Hanson made a motion to approve the Instant Owner Rebate of \$1.5M as presented and recommended by staff. Director Schmier seconded. President Draper asked if any were opposed. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

STRATEGIC DISCUSSION

SMALL MODULAR NUCLEAR

The board discussed small modular nuclear generation and its strengths and weaknesses. The board and staff are interested in continued investigation into this form of generation and its potential use as the nation migrates to a carbon-neutral future.

SAMPLE LEADERSHIP DEVELOPMENT

CEO Case reviewed material included in the Leadership Development training course developed with HR manager Clint Washburn that is being offered to FR employees. The intent is to prepare individuals for leadership opportunities within the Cooperative, and exists as a tool for succession planning in regard to future retirements. The employee feedback from the program has been positive and it has proved to be a worthwhile investment.

PROPANE – ASSIGNMENT OF SHARES FOR VOTING FOR JANUARY PROPANE ANNUAL MEETING

The board affirmed the assignment of shares as included in the board packet.

NRTC VOTING DELEGATE

Director Hanson made a motion to approve the NRTC voting delegates as they are currently in place: Georg Behrens as delegate and Bryan Case as alternate. Director Stiehl seconded. President Draper asked if any were opposed. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NRECA VOTING DELEGATE

Director Hanson made a motion to approve the NRECA voting delegates as they are currently in place: Georg Behrens as delegate and Jodi Stiehl as alternate. Director Robson seconded. President Draper asked if any were opposed. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FALL RIVER POTENTIAL MEMBER NOMINATING COMMITTEE & PROCESS POTENTIAL LIST OF NOMINATING COMMITTEE MEMBERS

Included in the board packet.

NOMINATING COMMITTEE FREQUENTLY ASKED QUESTIONS

Included in the board packet.

EXPENSE FORM FOR 2022

COOPERATIVE REPORTS

Director Lindstedt reported attending NRECA meetings in Nashville.

Director Crowther reported attending NRECA meetings in Nashville.

Director Hanson reported on the Economist from CFC.

Vice President Behrens reported on ICUA meeting and the Columbia River System meeting he attended, as well as a PNGC training session.

CEO Case reported on NRECA and regional issues.

Secretary Treasurer Stiehl reported on the NRECA meeting in Nashville and the MECA meeting she attended.

Director Schmier reported on the NWPPA special board meeting.

CONSENT AGENDA

Director Hanson made a motion to approve the consent agenda. Director Robson seconded the motion which included expense vouchers, new memberships, purchase of power agreements, check register, safety report, and discounted patronage capital refunds report. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXECUTIVE SESSION

Director Hanson made a motion to go into Executive Session at 1:16 p.m. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson made a motion to go out of Executive Session at 1:30 p.m. and Secretary Treasurer Stiehl seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

GRANT COUNTY AUCTION AND FALL RIVER'S PORTION OF WHOLESALE POWER SALES

Included in the board packet.

PNGC POST 2028 CONCEPT PAPER

Included in the board packet.

PPC CONCEPT PAPER FOR POST 2028 BPA

Included in the board packet.

FALL RIVER STRATEGIC MARKETING TOPIC PLAN AND CALENDAR

Included in the board packet.

NRECA/TOUCHSTONE MEMBERSHIP SURVEY FOR FALL RIVER

Included in the board packet.

FALL RIVER-SPECIFIC QUESTIONS

The board discussed the results of FR-specific questions regarding customer service.

FALL RIVER ELECTRIC AND PROPANE CULTURE STATEMENT

CEO Case introduced FR's culture statement, making note that the final statement was a culmination of employee and staff contributions which were then fine-tuned to reflect the high standards we strive for. Topics highlighted in the culture statement are:

- Teamwork
- Commitment
- Safety
- Communication
- Innovation
- Accountability
- Fun

NEW BILLING STATEMENT FORMAT

Included in the board packet.

HYDRO FACILITIES UPDATE

Island Park, Buffalo and Chester hydro generated a total of 783,930 kWh in November. This amounts to 2.8% of all the kWh billed by PNGC in November, and 2.9% of all kWh sold and used by Fall River in November.

Felt hydro produced 1,608,000 kWh in November. When this is included with Island Park, Buffalo, and Chester, it amounts to 8.5% of all the kWh billed by PNGC in November, and 8.7% of all kWh sold and used by Fall River in November.

ISLAND PARK

Island Park hydro ran 13 hours during the month and produced 8,729 kWh during the month of November.

BUFFALO

Buffalo hydro produced 156,021 kWh during the month of November.

FELT

Felt hydro produced 1,608,000 kWh during the month of November.

CHESTER

Chester hydro produced 619,126 kWh during the month of November.

DONATIONS

Included in the board packet.

REPORTS

EXECUTIVE COMMITTEE

President Draper had nothing to report.

ADMINISTRATIVE COMMITTEE

Chairman Keay stated the next meeting will be February 28, 2022.

ENGINEERING & OPERATIONS COMMITTEE

Nothing to report.

FINANCE COMMITTEE

Chairman Lindstedt reported on Director Hanson's discussion regarding processes in the committee and the upcoming Pre-Audit Conference Call in January.

POLICY COMMITTEE

Chairman Schmier reported the committee met prior to the board meeting and reviewed three policies that will be in next month's board packet. The committee will meet again March 28, 2022.

ATTORNEY REPORT

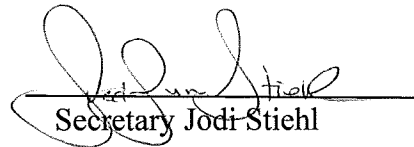
Attorney Rigby reported on the Salmon Summit and the Columbia Basin Collaborative and its purpose.

FALL RIVER'S MANAGEMENT REPORT
Included in the board packet.

ADJOURNMENT

There being no further business, **Director Hanson made a motion to adjourn. Director Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. The meeting was adjourned at 2:08 p.m.

DATE APPROVED: January 24, 2022



Secretary Jodi Stiehl