

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

October 18, 2021

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, October 18, 2021, virtually and in person 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 10:03 a.m. Executive Assistant Angie Haws recorded the minutes.

ATTENDING OFFICERS

President Dede Draper, Vice President Georg Behrens, Secretary/Treasurer Jodi Stiehl and Past President Doug Schmier

DIRECTORS PRESENT

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

DIRECTORS ABSENT

NONE

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, Guests; Fall River management team members Linden Barney, Dave Peterson, Brent Gamett, and Executive Assistant Angie Haws

APPROVAL OF AGENDA

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

2022 STRATEGIC OBJECTIVES INCLUDED IN THE PROPOSED BUDGET

CEO Case asked if there were any questions, or comments on the Vision and Strategic objectives and if everyone agreed that this is the right direction. The consensus was yes this is the right direction for FR's vision and strategic objectives.

VISION AND STRATEGIC OBJECTIVES

Included in the board packet.

HIGHLIGHTS OF ASSUMPTIONS AND SIGNIFICANT BUDGET ITEMS

CEO Case stated the Cooperative's positive financial position has allowed FR to proactively face the challenges of a pandemic, address ripple effects including supply chain shortages while continuing to meet the expectations of our members. FR 2022 budgets include significant investments in transmission facilities, a retail rate decrease, accelerating general retirements of patronage capital, and catching up on once delayed maintenance projects.

1. We are expecting continued brisk new service requests which require material and labor planning to meet our new members expectations.
2. We believe we have ordered a sufficient quantity of material for 2022 and have scheduled deliveries to meet the forecasted growth.
3. We expect increases in material costs which may impact our project costs for site-specific projects.
4. We have another group of employees who are close to retirement and will likely retire in the next 2 to 3 years. Succession planning has prompted us to include additional personnel in preparation for retirements and to supplement labor needs for heightened construction.
5. To accomplish the proposed projects the Cooperative will require the help of contractors to get most of the site-specific work completed for 2022 and to stay on track. We have budgeted appropriately to see the projects completed.
6. For 2022, we expect the general retirement of patronage capital to be on the accelerated path of retirement using the 10-year rolling average.

#### REVIEW PROPOSED 2022 OPERATING BUDGET

The 2022 Operating Budget was presented by staff to the board for review. The budget as prepared aligns with Fall River's strategic objectives, and we will see our goals through with a qualified and expert workforce, by being good stewards of our resources, and by being acutely aware of our members' needs. FR aspires to be a leader in the industry, community and for our members, delivering top-tier performance in reliability and service. Be the "Trusted Energy Partner" (experts in all things energy), providing members with relevant and economical solutions for their energy needs.

#### **Operation Budget Assumptions and Major Budget items:**

1. Revenue growth based on a 2 yr. avg. growth rate and 5 yr. avg. kWh per service, by service type and month.
2. Includes rate recommendations based on COSA and rate design discussions.
3. Cost of purchased power based on updated BPA rates and the PNGC power cost model.
4. Anticipates 3% overall increase in wage rates.
5. Budget includes two additional temporary groundmen, one temporary warehouse assistant, one additional lineman in the North end of the service territory, and a 3 month overlap of one FTE in hydro operations, in anticipation of a retirement.
6. Benefit ratio increase is based on quotes from NRECA and include increases in health care and RS plan rates.
7. Possible section 242 hydro incentive award for Chester has not been budgeted due to the legislative process.

8. Significant maintenance and repair costs include, \$250k for a new parking lot in Ashton, \$80k for new yard gates in Driggs, and \$90k for maintenance on turbines at Chester.
9. Budget includes \$34k in anticipation of a new hosted phone system (subscription costs).
10. Most out-of-pocket operating expense items include a 3% increase from 2021 projected costs.
11. Added \$25k for a partnered INL microgrid study.

Directors reviewed and discussed items with staff.

**Director Robson made a motion to accept the 2022 Operating Budget as presented. Vice President Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### REVIEW PROPOSED 2022 CAPITAL BUDGET

The 2022 Capital Budget was presented by staff to the board for review and discussion.

#### Capital Budget Assumptions and Major Budget items:

Includes \$5.6 million for a portion of the 5-year transmission upgrade.

1. Includes anticipated carryover items from the 2021 budget on site-specific and hydro projects, including 2022's Felt relicensing costs, interconnection, transformer move, and reclamation of the old plant. Capital spending on hydro's is just over \$3million.
2. Includes hardening of office entries for security purposes (\$100k).
3. Includes \$250k for upgrading the Pinehaven substation and \$200k for site acquisition for an additional substation in Teton County.

**Director Crowther made a motion to accept the 2022 Capital Budget as presented. Director Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

#### 2022 GENERAL & EARLY RETIREMENT OF PATRONAGE CAPITAL

##### GENERAL PATRONAGE CAPITAL RETIREMENT – 10 YEAR ROLLING AVERAGE

**Director Robson made a motion for a \$1.6M general retirement of patronage capital in December of 2021 using a 10-Year rolling average. Director Crowther seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

##### 2022 PROPOSED EARLY RETIREMENT BUDGET

Included in the board packet.

**Director Robson made a motion for the early retirement budget of \$150K for patronage capital. Vice President Behrens seconded the motion.** A voice vote

was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

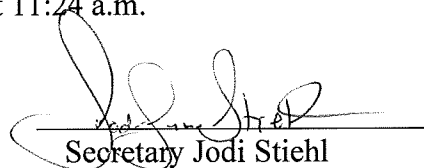
PRELIMINARY PLANNING FOR JANUARY PRE-AUDIT CALL, FINANCE  
COMMITTEE

CEO/GM Case stated the date for the upcoming pre-audit call will be on January 13, 2022.  
Director Hanson turned the meeting over to President Draper.

ADJOURNMENT

There being no further business, **Director Robson made a motion to adjourn. Vice President Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. The meeting was adjourned at 11:24 a.m.

DATE APPROVED: November 22, 2020



Secretary Jodi Stiehl