

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

October 19, 2020

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, October 19, 2020, 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 10:05 a.m. Executive Assistant Angie Haws recorded the minutes.

ATTENDING OFFICERS

President Dede Draper, Vice President Georg Behrens, Secretary/Treasurer Husk Crowther, and Past President Doug Schmier

DIRECTORS PRESENT

Jeff Keay, Brent Robson, Jodi Stiehl, 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, Shannon Hill, Dave Peterson, Trent Yancey, and Executive Assistant Angie Haws

APPROVAL OF AGENDA

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

APPROVAL OF MINUTES

Director Hanson made a motion to approve the September 28, 2020 Board Minutes as written. Director Behrens seconded the motion. President Draper asked if any opposed. None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

President Draper turned the meeting over to Director Jay Hanson, Chairman of the Finance Committee.

2021 STRATEGIC OBJECTIVES INCLUDED IN THE PROPOSED BUDGET

COOPERATIVE SOLAR PROJECT

CEO Case introduced the proposal from Creative Energies outlining potential locations, projected generation, and costs for a 50-90 KW system for the Cooperative Community Solar Project. He stated that Fall River's intention is to keep the cost to participate low for our members, \$150, which will allow a wide range of members opportunities to participate in the Cooperative Community Solar Project and simultaneously keep the overall construction costs as low as possible for the best overall result. CFO, Linden Barney

discussed solar grants the Cooperative could possibly qualify for, and how the grants would affect the net cost of the project as well as any stipulations that may be required for participation. CEO Case stated that ground-mounted solar is more expensive to install. The Cooperative Community Solar Program would offer member participation in the form of shares or subscriptions purchased. If the Bonneville Environmental Foundation Grant can be secured, Fall River would also have an opportunity for lower income members to participate.

Director Behrens made a motion to approve the community solar project proposal number one, as recommended by staff. Director Lindstedt seconded the motion. Director Hanson asked if any were opposed. None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

ELECTRIC VEHICLE PROPOSAL

CEO Case stated that we are currently looking at a used Tesla, a comparable vehicle in cost to the Chevy Bolt. Fall River would initially have staff test the vehicle and incorporate extensive EV information into our website to provide valuable information to our members. Fall River will then also provide a hands-on experience at events, allowing members the opportunity to test drive the vehicle. Directors asked questions about vehicle performance in cold weather, distance capability per charge, and best brand/technology options to purchase.

Director Behrens made a motion to follow staff recommendation and allow staff to purchase a model 3 Tesla, as listed in the proposal. Secretary/Treasurer Crowther seconded the motion. Director Hanson asked if any were opposed. None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

BRAND YOUR ENERGY EXPERT-FINANCING FOR BACKUP GENERATION, DISTRIBUTIVE GENERATION INSTALLATIONS, AND CONSERVATION MEASURES

CFO Barney stated the Cooperative was looking at financing options for our residential members. CFC has partnered with the National Cooperative Bank (NCB) to provide financing for energy-related investments for members in their homes. Fall River would simply be introducing members to this existing financing opportunity. The financing is between the member and NCB with no guarantees by the Cooperative. Unsecured loans are for a minimum of \$3,000 and up to \$30,000. Loans between \$30,000 and \$100,000 will be secured by the member's property. The loan term is for 5 to 8 years and limited to the useful life of the project. The member credit score requirement is 700 (can be as low as 680 with 2 months of reserves for principal, interest, taxes, insurance and HOA fees, if applicable). This is handled between the member and NCB, and Fall River will not know credit scores or be involved in the approval or denying of loans. At the time of NCB's presentation, the interest rates quoted were 6.125-6.25%. Staff asked a local credit union, a community bank, and a national bank all in the area for indicative rates for similar consumer energy related projects. All were either at significantly higher rates or would not provide an unsecured loan (would require a home equity line of credit). The program would require the Cooperative's board to adopt the consumer loan

program with a board resolution and the execution of a home energy program agreement with NCB.

REVIEW PROPOSED 2021 OPERATING BUDGET

The 2021 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.

Reliability: Improve and invest in power and system reliability.

Rates: Manage our rates for the changing future.

Member Engagement: Practice better and more effective communication and engagement.

Financial Stability: Improve financial strength to respond to opportunities and changing market conditions.

Safety: Improve Fall River's safety culture for our members, staff, and the general public, to ensure a reduction in accidents and eliminate electrical contacts.

Power Supply: Secure access to competitive, low-cost, reliable power.

Cybersecurity: Continually strengthen cybersecurity posture.

Technology: Exploit investments in existing and new technologies to improve operations and member satisfaction.

Trusted Energy Partner: Be the go-to, trusted source for information and technology to help members make high-value energy decisions. Prepare Fall River REC for the future by investigating and testing emerging industry trends in a timely manner, and/or by piloting projects in order to assess value for the membership.

Directors reviewed and discussed items with staff.

Secretary/Treasurer Crowther made a motion to accept the 2021 Operating Budget as presented. Director Stiehl seconded the motion. Director Hanson asked if any were opposed. None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

REVIEW PROPOSED 2021 CAPITAL BUDGET

The 2021 Capital Budget was presented by staff to the board for review and discussion.

Director Stiehl made a motion to accept the 2021 Capital Budget as presented.

Director Robson seconded the motion. Director Hanson asked if any were opposed.

None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

2021 GENERAL PATRONAGE CAPITAL GENERAL RETIREMENT

We currently look at the oldest 5 years of patronage and pay the average of that 5-year period out over those 5 years to levelized cash flow. This results in an actual outstanding patronage age of 18-21 years; on average, patronage is outstanding for 20 years. This

method results in a "step-up" in payments every 5th year due to higher margin years that have not been paid out (i.e. \$3-\$4 million in allocated margins beginning in 2005 – except for the recession years of 2008 and 2009). Due to the eventual payout of these increased margins, Staff looked into the potential effect of changing the current payout practice to a "rolling 10-year average payout." Given that Fall River's patronage cycle would shrink from 20 years down to 18 years by using a rolling 10-year average, and that cumulative amounts paid out (as a % of total equity) are close to the power supply peer group and higher than all other peer groups, staff recommended that the 5-year average block be maintained and that the general retirement amount of \$990,727 for 2020 (shown on the 5-year average block schedule) be approved for payment this December.

RECOMMENDATION TO SET EARLY PATRONAGE CAPITAL RETIREMENT AT \$150K FOR 2021

Included in the board packet. Topic will be discussed further at a future board meeting.

DISCUSSION-MEMBER INSTANT REBATE

Included in the board packet. Topic will be discussed further at a future board meeting.

PAYMENT PROTECTION PLAN (PPP) LOAN FOR \$1.9M DISCUSSION

Included in the board packet.

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, 2020. Director Hanson turned the meeting over to President Draper.

ADJOURNMENT

There being no further business, **Vice President Behrens made a motion to adjourn. Director Stiehl seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. The meeting was adjourned at 12:08 p.m.

DATE APPROVED: November 23, 2020


Secretary Brent Crowther