

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

October 31, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, October 31, 2016, at the main office of Fall River Rural Electric in Ashton, Idaho. Determining a quorum was present, President Doug Schmier called the meeting to order at 10:00 a.m. Executive Assistant Cathy Meeks recorded the minutes. The invocation was given by Jay Hanson.

ATTENDING
OFFICERS

President Doug Schmier, Vice-President Debbie Smith, Secretary/Treasurer Dede Draper, and Immediate Past President Jay Hanson

DIRECTORS
PRESENT

Dan Skene and Ron Dye present. Boyd Bowles and Ralph Burton via conference call.

DIRECTORS
ABSENT

Brent Robson

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, and CFO Linden Barney

Also attending, Attorney Jerry Rigby

APPROVAL OF
AGENDA

Dan Skene made a motion to approve the Agenda. Debbie Smith seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE
VOUCHERS

Dede Draper made a motion to approve the expense vouchers submitted for payment. Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

MINUTES OF SEPTEMBER 14, 2016 SPECIAL BOARD MEETING

Following a review of the minutes for September 14, 2016, Jay Hanson made a motion to approve the minutes. Dan Skene seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MINUTES OF SEPTEMBER 19, 2016 BOARD MEETING

Following a review of the minutes for September 19, 2016, Jay Hanson made a motion to approve the minutes. Dan Skene seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MINUTES OF OCTOBER 17, 2016 BOARD BUDGET MEETING

Following a review of the minutes for October 17, 2016, Jay Hanson made a motion to approve the minutes. Dan Skene seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

After review, Jay Hanson made a motion to approve the consent agenda. Dan Skene seconded the motion, which included the memberships, purchase of power agreements, check report, vouchers, safety report, and capital credit report. Following discussion and hearing no objections; THE MOTION CARRIED BY UNANIMOUS CONSENT.

MEMBER COMMENT

GM Case distributed an updated list of FRREC members who have pledged their 1996 retired patronage capital to the Miller's Pond fund raising efforts. Staff has re-sent the letter again to members in the Teton valley regarding the project and the opportunity to donate. To date, there are 80 contributors, with \$45,000 being raised so far. GM Case explained the process of the construction work that would be done, reviewing some of the challenges with the project. Staff will try to get it completed this coming week. Total estimate of the project was \$57,800; Tim Brockish has committed to make up the difference of what is collected and the actual costs.

FINANCIAL AND STATISTICAL REPORTS

SEPTEMBER 30, 2016 FINANCIAL REPORTS –

Staff reviewed the financial report, which shows YTD margins are \$660K more than budgeted. Labor and overhead are lower due to increased construction of new services in 2016, as well as lower interest expense. Other variances are listed on variance report. Forecast looks like there will be approximately 230 new services for the year which is a significant increase over 2015. Most of the construction this year has been done by FRREC Staff, with labor being capitalized. Staff also reported FRREC hasn't had to borrow money that was borrowed to FRE (Propane) for their expansion efforts. At this time of the year, the line of credit will need to be accessed in order to pay out patronage capital retirement.

2017 BUDGETS –

OPERATING BUDGET – CAPITAL BUDGET – BOARD BUDGET

GM gave a recap of what was changed following the review and discussion at the October 17th Board Budget meeting. **Boyd Bowles made a motion to approve the 2017 Operating and Capital Budgets as presented. Jay Hanson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

TEN YEAR FINANCIAL FORECAST –

Staff will update the financial forecast again in June of 2017, once they have a better idea of what BPA rates will be. GM Case will be meeting with Elliot Mainzer, BPA Administrator, and will be discussing future wholesale power rates.

COOPERATIVE BUSINESS

STRATEGIC PLANNING – CONT.

GM Case gave a re-cap of what was discussed from the previous meeting held when the strategic planning exercise was conducted. He gave a summary of the latest activities with development in distributive generation. The question was posed, with the current advances, what is FRREC's role? Is Solar and PV a trend FRREC needs track? As the technology takes hold, member's usage will decrease. With that being the case, FRREC's current business model can no longer be dependent on the number of KWh sold. With conservation and smaller living areas, there is less usage, less KWh, therefore there is a need to consider diversifying into other areas besides propane. There was discussion on the graphs showing usage, some with growth. Discussion continued on idle services and fees implemented. The Net Metering graph shows steady growth. The Policy Committee will need to look at updating the policy that requires buy back of excess energy. With the current trends, FRREC facilities may need to be more interactive with storage of excess generation. Further discussion of pricing ensued, with consideration as to what role BPA plays in accelerating distributive generation. FRREC needs to be aware of opportunities to increase equity, which will put the Cooperative in a financial position to take advantage of opportunities in the future. In preparation to become known as our members "Trusted Energy Partner", FRREC has already done AMI Meters, fiber, rate structure, and alternative energy with hydro's; Instead of just doing KWh sales, becoming a trusted energy partner. Other options to look at would be solar, community solar, natural gas, and continued propane expansion. With this in mind, GM Case wanted to make sure 2017 work plans and goals are in line with the direction of the board and staff is not missing anything.

SELECT FINANCIAL AND OTHER TRENDS – ELECTRIC

GM Case went through the graphs, giving clarification on the trends which are materializing. This year there have been over 200 new services connected. The discussion continued with the trends in Island Park residential now becoming year round. Additional input that there are a number of building permits also being processed in the Teton basin, with upward growth being the trend.

PROPANE

GM Case went through the graphs, showing continued growth with the expansion in Star Valley. There was some discussion of future strategies, as competitors are mimicking FRREC marketing.

OTHER REVENUE STREAMS

GM Case reviewed the other sources of revenue, which include fiber. FRREC will discontinue selling water heaters and wall heaters.

CONSOLIDATION DISCUSSION

GM Case reported announcements had been sent out to the media; emails have been sent out to board members with a copy of the articles. Lower Valley Energy has done the same. GM Case shared that for now, FRREC will continue moving forward with goals and work plans to keep FRREC being the great utility that it is.

HYDRO OPERATIONS UPDATE

ISLAND PARK –

GM Case reported Island Park hydro is off due to insufficient storage and flows, but IP reservoir is filling faster than expected. Recent rains are helping. Flows have been restricted to fill the reservoir, once flows are back up to 180 cfs and the reservoir level is above 30%, staff can turn the Island Park hydro back on, which will probably be in April. Two blowers have been repaired, the third one will be repaired in March.

CHESTER –

GM Case gave an update that two seals, on turbines 1 and 3, are leaking. Staff is working with Riverside to get it resolved. The heavy rains have increased flows and generation has been around 1 MW. Clarification was given on the runner repairs. Concerns with winter weather conditions was expressed.

BUFFALO –

The Buffalo hydro rake is back and ready to be installed. The challenge has been in scheduling a helicopter or crane to install it. Staff is looking at crane operators and costs.

ANNUAL MEETING DATES –

Due to a conflict in the availability of the North Fremont High School, other dates are being reviewed for the FRREC Annual Meeting. Following a discussion of the possible dates, **Dan Skene made a motion to hold the FRREC Annual Meeting on Saturday, June 24, 2016. Dede Draper seconded.** A voice vote was taken; **THE MOTION CARRIED BY UNANIMOUS VOTE.** A copy of the Directors up for election in 2017 was included in the board packet for reference. Dede noted some corrections that needed to be made to the sheet.

IPPC – ISLAND PARK PRESERVATION COALITION –

GM Case introduced Ken Watts, from IPPC. Mr. Watts went through his presentation giving some clarification on the purpose of the coalition. Ken gave a background on the

IPPC, with the motivation to maintain multiple use and bringing in conservation, while still maintaining and enhancing the area. Discussion continued of the IPPC mission statement, accomplishments, with Ken giving clarification on some areas of concern, as well as what role FRREC plays in these efforts, preserving the right of way, and the area that we serve.

NEPA Public Comment Meetings –

GM Case strongly encouraged board members to attend if possible, making sure a balanced approach is received. Dan Skene will be attending the one in Boise. Boyd Bowles and Ralph Burton will also try to attend the Boise meeting. Discussion continued on some of the topics that will be discussed at these meetings.

The NRECA and APPA letters to reject PMA Language in the Draft Task Force Report on Federal Energy Management was included in the board material and the board discussed.

PNGC ALLOCATION UPDATE –

Documents included in the board packet showed the proposed reduction in administrative costs from PNGC to Fall River in 2017. GM Case emphasized the need to stay vigilant in making sure the administrative costs bring value to Fall River and out members. There have been some discussion with Beth Looney on the value of PNGC, and GM Case was pleased to hear that PNGC staff will be benchmarking the services they provide with others in the industry.

PNGC SURVEY SENT TO MEMBERS -

A survey was sent out to 200 random members of Fall River electric to determine how much conservation had been done and to identify the potential for additional conservation measures. A couple Directors on the board had received the survey.

EXECUTIVE SESSION

Jay Hanson made a motion to go into Executive Session. Dan Skene seconded.

A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Jay Hanson made a motion to go out of executive session. Debbie Smith seconded.

A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FOR INFORMATION PURPOSES –

DOUG SCHMIER DIRECTOR TRAINING AWARD –

Included in the Board Packet was a congratulations to Doug Schmier on completing his Directors Training through NRECA.

HARASSMENT EMPLOYEE TRAINING – OCTOBER 2016

GM Case reported the annual sexual and anti-harassment training for staff was held on October 14th, covering the required harassment training.

NEW MANAGERS MEETING WITH ELLIOT MAINZER, BPA ADMINISTRATOR
GM Case reported that Fall River was hosting another New Managers meeting with BPA Administrator, Elliot Mainzer. He expressed he was trying to step down and allow another manager to organize the event. Elliot had made the request to hold the meeting again this Fall. A copy of the agenda for the meeting was included in the board packet. The topics on the agenda and the material for the meeting will be good talking points for the next 6 months; GM Case encouraged the board to keep them handy for future discussions.

DISTRIBUTIVE ENERGY CONFERENCE –

Staff attended the conference; a report was included in the board packet. The trend is that solar will be a part of our future – to what extent, that's the question. Options and possible opportunities were discussed.

WY PSC RULES AND REGULATIONS UPDATE -

GM Case reported staff has been working with propane on meeting the requirements. Wyoming Public Service Commission Rules and Regulations are written for natural gas, so they are not always applicable to propane, and need to be adjusted. In addition, Fall River's rules and regulation updated application has been reviewed by the Wyoming PSC and they asked for two minor changes to the application. Two General Policies regarding meter testing and the process to handle delinquent accounts will need to be addressed at the next policy meeting.

CFC PATRONAGE CAPITAL RETIREMENT –

GM Case reported FRREC received a check for the patronage capital back from CFC. Documentation included in the board packet for information.

FALL RIVER GREEN RETAIL kWh SALES –

GM Case reminded the Board that FRREC does have a program that green energy can be purchased by our members and staff is tracking it.

CHESTER SECTION 242 HYDRO INCENTIVE PROGRAM –

FRREC has received \$33,000 for the 242 Hydro Incentive. GM Case reminded the board the lobbyist fee is \$1,000 a month to secure future appropriation for the program. GM Case gave further clarification on the formula used calculate the award for the hydro incentive.

FACT SHEET – LOWER SNAKE RIVER DAMS

Documents included in the board packet for information; some discussion on dam removal and Fall River's opposition to removing the Snake River Dams followed. GM Case will distribute more information as it comes.

GUN SHOTS IN SUBSTATION -

The Board discussed the recent event in Southern Utah with gun shots disabling a substation transformer. GM Case explained FRREC does have back up plans with back

up transformers. Some discussion on the likelihood/ risk of something like that happening here ensued.

COOPERATIVE BOARD VOTING DISTRICT STRAW POLL –
Included in the board packet for informational purposes.

REPORTS

Budget Committee met on October 17, with the budget being approved today.

Policy Committee will be meeting on November 14, 2016 at 9 am via video conference call.

Regular Board Meetings will be scheduled with video conferencing as inclement winter weather requires.

MANAGEMENT REPORT:

GM Case gave a summary of the management report; a full report was included in the board packet.

Jay Hanson will be attending CFC this next month.

Boyd Bowles will be sending out a report on the WREA annual meeting that he attended.

Ralph Burton asked for clarification on the member situation in Island Park, and if it was resolved. GM Case responded to the question, reporting that it had been addressed.

President Schmier reviewed the calendar of events, highlighting meeting dates that board members would need to attend. A reminder was given that December 9th is the Annual FRREC Christmas Party.

ADJOURNMENT

There being no further business, **Jay Hanson moved that the meeting be adjourned. Debbie Smith seconded.** By consensus, the meeting was adjourned at 2:30 p.m.

DATE APPROVED: ___November 14, 2016___


Secretary, Dede Draper