

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

November 20, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, November 20, 2017, at the main office of Fall River Rural Electric in Ashton, Idaho. Having determined a quorum was present, President Schmier called the meeting to order at 10:00 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by CEO/G.M. Bryan Case. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Doug Schmier, Secretary/Treasurer Dede Draper, and Vice President Ralph Burton

DIRECTORS PRESENT

Brent Robson, Georg Behrens, Ron Dye, Dan Skene, and Jay Hanson

DIRECTORS ABSENT – Debbie Smith

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Joni Amen, CFO Linden Barney, Engineering Manager Dave Peterson, Member Services Manager Brand Hathaway, and Line Foreman David Stone. Also in attendance was Attorney Jerry Rigby and Teton County Commissioner Mark Ricks

APPROVAL OF AGENDA

**Director Hanson made a motion to approve the Agenda. Director Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

**Secretary Draper made a motion to approve expense vouchers. Director Hanson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

**Following a review of the minutes for October 23<sup>rd</sup>, 2017, Director Hanson made a motion to approve the minutes with corrections. Director Robson seconded. After Board discussion, changes were made to the minutes and Director Hanson and Director Robson amended their motion to accept the corrections to the minutes.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

**Director Hanson made a motion to approve the Consent Agenda. Director Robson seconded the motion which included Memberships, Purchase of Power Agreements, check reports, safety reports, and the discounted Patronage Capital refunds report.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## COOPERATIVE BOARD REPORTS

Secretary Dede Draper reported on her meeting with ICUA. She emphasized the importance of the upcoming Transmission Transfer Meeting in Boise with BPA on December 1<sup>st</sup> and encouraged everyone to attend. Director Skene, President Schmier, and Secretary Draper voiced their intention of attending. We have transmission services contracted through 2028 (however, the ARTS agreement expires in 2024) and would like assurance that BPA has Idaho's best interests at heart.

She also mentioned ICUA had invited State Rep. Luke Malek, Congressional Candidate for Idaho District 01, and David Leroy, past Lieutenant Governor, who is also running for Congressional Candidate for Idaho District 01. Doug Hunter, UAMPS CEO, reported on a new, fully-automated, modular nuclear reactor scheduled to be built and operational at INL by 2024. It will be able to generate 1,100 megawatts. It is self-contained and human intervention is not needed in emergency situations. It is a conceptual nuclear plant developed by Oregon State University and, recently, the plans and specifications have been accepted by the Nuclear Regulatory Commission (NRC). UAMPS is hopeful they will secure enough participants and investors to construct the plant at INL. Due to the design and construction taking place largely in the U.S., it is hoped that the project will be a success and might later be an option for generating power in third world countries. There was discussion on safety and what happens to the spent fuel.

A few Cooperatives have changed their Patronage Capital payouts. Many are either allowing voluntary early payout options for those permanently leaving the Cooperative's service territory or retiring current-year Patronage Capital on a discounted basis.

Director Behrens reported that he is going to Director School in December.

Director Hanson reported that he attended CFC meetings recently in San Francisco. He noted the highlights of some of the key note speakers. Condoleeza Rice and Rob O'Neill spoke and were both outstanding. He said presentations from the conference are on CFC's website and he encouraged the Board to review them.

Director Burton reported that he was thankful for having the power on. In parts of California, Florida and Porto Rico, they are still without power. Discussion on rebuilding their systems, the Whitefish controversy, the contractor who was awarded a large contract in Porto Rico, ensued.

President Schmier presented posters that he picked up recently. They are for education on issues including electrical energy, water, energy efficiency, wind, distributive generation, etc.

## MEMBER COMMENTS

GM Case reported on a conversation he had with a friend who was interested in Big Dog Solar. They were told that they couldn't compete with Fall River's retail rates. Another member reported to GM Case that he is interested in installing a solar farm. We will need to do an engineering study; the Member is responsible for the costs. We will also need a confidentiality agreement in place before sharing our infrastructure information. Attorney Rigby will prepare the documents.

GM Case said that he heard about how Fall River Propane staff recently assisted a member. He praised the employees and said how impressed he was by them.

County Commissioner Mark Ricks joined the Board as a guest. He gave an update on the happenings in Teton County. He said the county had issued over a 110 new residential building permits, up 400% from a few years ago. They are also seeing some construction in “mothball subdivisions” which were abandoned after the Crash. The County hired a new Planning Coordinator, Mr. Armstrong.

He said that keeping the lines of communication open is the number one priority and he appreciated being invited to the Board Meeting. He said that Teton County has full employment now with unemployment being at its lowest level in years. They actually have a worker shortage. Affordable housing is an area of concern. The population is aging, and he said that Teton Valley is attracting many retired individuals.

There was discussion on the potential of combined projects between the County and Fall River. The solar education project at the High School was a possibility discussed. The backup generator at Grand Targhee was an item of interest.

Attorney Rigby asked where the Commission stood on the flood plain issue. Mr. Ricks said there is concern, particularly on the North end of the County where the Federal guidelines increased the size of the flood plain. Teton County is pushing back on some areas that don’t make sense.

Mr. Ricks feels that there is significant value to local control that must be considered when regarding the consolidation issue.

GM Case asked that Commissioner Ricks let folks know about Fall River’s low-income assistance conservation programs. Mr. Ricks said that programs for the elderly folks would be very much appreciated.

Director Jay Hanson was presented with the NRECA Director Gold Program Certificate.

## FINANCIAL & STATISTICAL REPORTS

OCTOBER 31, 2017 FINANCIAL REPORTS – Staff reported net margins through October 31<sup>st</sup> are \$1.2M better than budgeted. The main reason for the increased revenues over expenses is the result of higher-than-budgeted kWh sales year-to-date. Our expenses have also come in lower than expected. Fall River’s labor and overhead is 2.5% under budget.

Fall River’s hydroelectric plants showed increased generation due to an excellent water year, exceeding forecasted expectations.

A Felt Hydro generation payment went to CDM instead of Fall River. CDM has voided the check and sent it back to Rocky Mountain to reissue to Fall River.

Expenditures for capital projects totaled \$2M as of October 2017 of the anticipated \$4.3M annual budget. Foreman David Stone reported on the progress of the Bates to Packsaddle project and said the poles are all set and crews will strive to finish it this year; however, given the weather, they will likely complete the project by early 2018.

The Form 7 report was updated back to September. Staff has revised the report and will use the new format which includes titles and has all 12 months of kWh sales, number of customers by rate class, and monthly revenue on one page.

We are at a 38% equity ratio. On December 8<sup>th</sup> we will pay out Patronage Capital checks and that amount will lower the Cooperative’s equity rate to just under 38%.

## CFC POWER VISION LOAN \$10M

Fall River is securing a long-term power vision loan authorization of \$10M from CFC. The funds will be available over a 5-year period if needed and will be available in the case of an emergency. Attorney Rigby is working on an opinion letter for the loan documents.

**A motion was made to adopt Resolution #640 approving the CFC power vision loan for \$10M by Director Robson and seconded by Vice President Burton. By voice vote, ALL WERE IN FAVOR AND MOTION PASSED**

## COOPERATIVE BUSINESS

### GENERAL POLICIES FOR REVIEW AND APPROVAL

**Following Discussion, Director Burton made a motion to approve GP 301 Financial Practices, GP 305 Purposes - Records Management, GP 600 Purposes - Development and Revision of Personnel Policies, GP 601 Employment at Will, GP 620 Vacation, and GP 621 Sick Leave as Recommended by the Policy Committee. Director Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.**

### 2018 PROPOSED WORK PLAN

GM Case reported on the proposed 2018 work plan for Fall River Electric. Some of the significant strategic objectives for the Cooperative's 2018 work plan include: safety efforts such as building a safety demonstration trailer to educate school students, community first responders, and others, enlisting the help of a consultant to review the Cooperative's safety guidelines for our hydro operations and incorporate recommendations into section 16 of the safety manual (specifically dedicated to hydro operations), conduct a cyber security test with a 3<sup>rd</sup> party consultant to prove the physical and electronic security of Fall River's systems and implement suggested improvements, conduct a pilot test to see how effective smart home technology is in reducing and managing energy use, promote community engagement by seeking opportunities to support the areas we serve, seek a change to allow Patronage Capital to be retired on a discounted basis as members permanently leave the Cooperative's service territory, ask for the approval of a member committee to review board compensation, work with local high schools to seek donations for distributive generation (Solar and/or Wind) for educational purposes with the ability to add an electric vehicle charging station if there is sufficient funding and interest, continue to assist Propane's expansion into Star Valley area, start the process of following Fall River's record retention policy and transition to an electric library of information, conduct a series of internal audits in four areas, implement a Human Resource software program, conduct cross training for specified jobs within the Cooperative, work to develop dashboards within each department using SEDC's report IQ, explore reducing dissolved oxygen requirements at certain times of the year at the Island Park hydro, explore automation opportunities at FR's hydro facilities, explore using meter data management and AMI meters to reduce costs, look at continuous pinging, voltage monitoring, business case and value of SCADA, etc., add phasing to map information, utilize iPads in Operations to access maps, ping meters, enter timesheets, report line status on the hazard assessment program, check e-mails, etc., complete the marking of underground facilities in all subdivisions by year end, maintain recently-implemented programs to clear Right-Of-Ways, pole testing, and glass cutout replacements, make the transition for members using the MyFR Smart App and include

the ability to look at demand using the app, and continue to explore the value, if any, of having a demand charge.

**Director Hanson made a motion to approve the 2018 Work Plan and Goals. Director Burton seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### FALL RIVER'S RULES AND REGULATIONS SUBMITTED AND ACCEPTED BY THE WYOMING PUBLIC SERVICE COMMISSION

The Commission approved the agreement, but then came back with requested modifications to our written Easy Pay Policy for Wyoming Members. The Wyoming PSC are requesting that Fall River put in writing the Cooperative's practice of making calls to members prior to power being disconnected in the winter months (November to March). Members signing up for the pre-pay option are allowed to do so without deposits and are notified via e-mail and/or text if pre-pay balances get low. Making a call during the cold months provides an additional opportunity for members to be contacted prior to having power disconnected. Staff will provide the board with a modified policy for their review.

**Director Hanson made a motion to accept the Wyoming Public Service Commission's Rules and Regulations. Director Skene seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

HYDRO UPDATE – FELT, CHESTER, ISLAND PARK, BUFFALO  
FERC APPROVAL OF RAMP RATE PLAN – MEASUREMENT LOCATION  
CHANGE Engineering Manager Dave Peterson reported that we have received FERC approval amending the ramping rate and revising our monitoring methods downstream and at the Island Park plant. They have moved the gauge to get more accurate data. Staff is exploring interest among the stakeholders at Island Park Hydro to modify dissolved oxygen level requirements at specific times of the year.

#### CHESTER HYDRO SECTION 242 FUNDING

A letter from the Department of Energy was included in the Board packet; it explains that they determined that Fall River is eligible for a Section 242 payment for the Chester hydro plant.

#### FELT HYDRO OPERATING STATEMENT

Staff reported that the controls on the trash rake will need to be repaired and they have ordered the parts. We have a contingency fund to conduct needed maintenance.

Felt is running two turbines and the river flow is at 130% this year. Reservoir levels are full. This has been an outstanding water year and it looks promising for next year as well.

PATRONAGE CAPITAL CHECKS ARE GOING OUT DECEMBER 8<sup>TH</sup>. Patronage capital retirement checks going out to over 8,100 members in the amount of \$1.023M, including early retirements.

#### SAMPLE RESIDENTIAL DEMAND CHARGE RATE STRUCTURE

Staff reviewed the residential demand charges for the past month. There was a question about the period of time the demand was recorded within. There are two possible billing cycles and staff can show you which cycle and the days each bill is located in. Demand is the highest usage in KW at a moment in time during the period evaluated. Discussion about the value of residential consumers paying for capacity was discussed. This exercise

is meant to educate staff and Board members on residential demand and provide insight on how billing for demand might work. The question is, should we decouple the costs of providing service to members and charge for fixed costs, capacity costs, and pass through wholesale power and transmission at cost? The Cooperative's current rate structure bills members a portion of fixed costs and demand costs as part of the kWh charge. Currently, State public service commissions are limiting how much IOUs charge for basic or access charges, but they are discussing and contemplating allowing changes in future rate structures. Discussion regarding IOUs not being able to charge for line and system maintenance costs, called the "death spiral," was held. Fall River may start including demand on residential accounts as well as some additional information to assist them in understanding it. Staff will also explore seeing if demand could be added to the MyFR Smart App to monitor KW information. Dan Skene has a concern of not being able to offer our members tools to use to monitor use in real time. GM Case explained that there are in-home monitors. The MyFR Smart App should be able to provide demand information and there are other sensors that can be installed to help members identify electric devices which may spike demand within residences. GM Case wants to be sure the Cooperative has time to educate members prior to implementing a demand charge if the board decides to move forward.

GM Case suggested that if the board would like to modify the residential rate structure to include demand, it would be beneficial to have at least a year to introduce members to the idea, provide the reasons a demand charge is valuable, and then help members prepare for the change.

#### STRATEGIC PLANNING DISCUSSIONS

GM Case reported on the meetings coming up in the future and asked for input on any suggestions or ideas from the Board they might have.

PNGC – December 2017. GM Case said the PNGC Board will be meeting and will make the decision to evaluate a contractual agreement with PNGC using a blended rate model by January. He reiterated the need to see a term sheet containing the significant agreement components prior to agreeing to spend significant time preparing and evaluating the details of a 35-year agreement. The items requested by GM Case and the Board will need to be included. In order for this new concept to work, it will require the consent of all current PNGC members and will need to allow for more members to join. Options and alternatives were discussed.

FIBER – JANUARY 2018- Sheldon Peterson, CFC, will be coming to our Board Meeting in January to discuss broadband and fiber. There will be a lot of information presented to the Board for discussion.

PNGC UPDATES – Fall River will get a 2017 Demand Diversity Rebate; the estimated refund will be about \$156K. PNGC's 2018 budget shows that Tier Two Power Rates will decrease by 30% compared to the projected budgets of 2017.

CARVE OUT FOR LARGE SINGLE LOADS & PNGC – PNGC has finalized agreements with server farms served by Umatilla.

ENERGY FORECAST IN THE KIPLINGER LETTER was shared in the Board Packet.

#### EXECUTIVE SESSION

**Director Hanson made a motion to go into Executive Session. Director Behrens seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

**Director Hanson made a motion to go out of executive session. Director Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### MANAGEMENT DISCUSSION ITEMS

ACCOUNTS APPROVED TO BE WRITTEN OFF AND IDLE SERVICES TO BE RETIRED reports included in packet.

FALL RIVER EMPLOYEE CHRISTMAS PARTY - December 8th

LETTER OF APPRECIATION TO STAFF was included in packet.

FALL RIVER CONTRIBUTION TO WEST YELLOWSTONE LEARNING CENTER – Those attending - Dan Sabolsky, President Doug Schmier, Randy Wakefield, Ted Austin and GM Bryan Case

#### GRAND TARGHEE AGREEMENT

Friday was Grand Targhee's opening day. Crews checked the generator out and started the engine. Fall River staff will thoroughly test the system by picking up Grand Targhee's load at a time more convenient with Grand Targhee. The generator is located at the substation northwest of the parking lot. Fall River placed a temporary 1,000-gallon fuel tank for the generator to use which will keep the generator running for 10-hours straight. Berry Oil will deliver fuel and, in the event of an emergency, will keep a tank truck set up. The Generator will be permanently placed and automated in the future, but will have to temporarily be operated manually until set up on a permanent base. Grand Targhee is appreciative of Fall River's work on this project.

#### REPORTS

##### ATTORNEY RIGBY'S REPORT

The Columbia River Treaty continues to be a big issue and Attorney Rigby has important meetings coming up. Idaho Stakeholders are working to protect the region's water. He reported that the battles are ongoing and there have been no final decisions made yet.

FALL RIVER'S MANAGEMENT REPORT was included in the packet.

#### ADJOURNMENT

There being no further business, **Director Hanson moved that the meeting be adjourned. Director Skene seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 2:30 p.m.

DATE APPROVED: December 18, 2017

  
Secretary, Dede Draper