

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

December 16, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, Dec. 16, 2019, at the main office of Fall River Rural Electric in Ashton, Idaho. Having determined a quorum was present, President Doug Schmier called the meeting to order at 10:00 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Director Jay Hanson. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Doug Schmier, Vice President Brent Robson, Past President Jay Hanson and Secretary/Treasurer Husk Crowther by teleconference

DIRECTORS PRESENT

Dede Draper, Jeff Keay, Georg Behrens, Jodi Stiehl, and Anna Lindstedt by teleconference at 10:30 a.m.

DIRECTORS ABSENT - NONE

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, Engineering Manager Dave Peterson, CFO Linden Barney, Operations Manager Trent Yancey, Lineman Ben Bollinger, Meter Technician Brett Eckman, and Executive Assistant Joni Amen

CEO Bryan Case announced with condolences, the passing of former Fall River Director Gordon Zollinger. Fall River will send flowers and Mr. Case will attend the funeral.

APPROVAL OF AGENDA

Director Hanson made a motion to approve the agenda with the addition of a proposed capital budget item for an Island Park blower. Vice President Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

Director Behrens made a motion to accept and approve expense vouchers as presented. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

Director Hanson made a motion to approve the Nov. 18, 2019 Board Minutes with corrections. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

In discussion of the Finance Committee minutes, it was noted that there were directors not on the Finance Committee who made motions. CEO Case confirmed the meeting, while focused solely on 2020 budgets, was actually a board meeting and not a finance committee meeting. The board has made it the practice in recent years to hold this budget review as a board meeting. The discussion prior to the meeting and the meeting notice were made.

Case noted the minutes were titled "Finance Committee Minutes" and suggested they be revised to be titled "Finance Board Meeting." Attorney Jerry Rigby advised that if we have a committee it should be held by committee rules with members voting, but discussed it was appropriate for any board member to participate. Rigby also reminded the board that board committees make recommendations to the full board for approval. It was agreed that in the future, the president, board and staff will clearly declare the meeting as a committee, or a board meeting and the meeting minutes will reflect the nature of the meeting.

A motion was then made by Director Draper that the name on the minutes be changed to "Finance Board Meeting" instead of "Finance Committee." The motion was seconded by Director Behrens. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Behrens made a motion to approve the Oct. 16, 2019 Board Finance Minutes as corrected. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Hanson made a motion to approve the Consent Agenda. Vice President Robson seconded the motion which included, new memberships, purchase of power agreements, check register, safety report, and discounted patronage capital refunds report. Following discussion of a \$900 penalty charge to the IRS, a voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE REPORTS

BOARD REPORTS:

Director Hanson reported that he attended a CFC web conference. He said CFC is very conservative in their assessment of the economy, and the organization indicated there are no indications of an upcoming recession. He also attended a CFC Board Meeting recently, where he made sure the staff and board knew about Fall River staff installing solar/wind for the schools. He said that he also talked about our low retail rates.

Director Behrens attended the ICUA conference call. He recommended sending representatives a letter opposing breaching dams and sent a link for a form letter to use. He also said he was in Germany recently, visiting his mother who was ill, and reported that it is worth noting that Europe is very much involved with the green environmental movement. The EU is budgeting billions on the green agenda.

Director Crowther said he will report on the NRECA Directors Conference he is attending next month, and he said he has learned a lot.

President Schmier reported he attended the MECA Annual Meeting. They are ready to send the linemen to Bolivia for the NRECA international project, in which Fall River is participating financially. He said MECA also had a strategic planning session with Ted Case (no relationship to Bryan Case). This is the first strategic planning meeting they have had since 1996.

CEO Case said that there have been several states who have changed their regulations on net metering to include purchasing excess power hourly and paying wholesale or avoided costs for customers power. Wyoming representatives were proposing two possible legislative acts. One would have required two meters, one to record use and the other to

record generation. The utility would pay customers the wholesale rate for power generated and customers would pay the retail rate for power used. Both measures failed to leave committee. Wyoming PSC has asked Fall River for information on the number of net metering accounts, excess generation and other information. It appears as though Wyoming is still exploring the proper way to equitably treat net metering customers and avoid subsidization from non-net metering customers.

MEMBER COMMENTS

Director Keay said that he has received some more positive comments on Fall River rates.

CEO Case read a letter from member upset with our change to the net metering policy of reconciling monthly instead of annually. The member is very disappointed and felt that the solar system she was sold from a third-party vendor wasn't living up to what was promised. Discussion was held on why reconciling net metering annually is different than monthly.

CEO Case said we had other positive comments from a couple of irrigation members who Joni had personally contacted as part of staff efforts to see how Fall River is doing and what we can do better.

Vice President Robson asked about the solar and wind demonstration on our website and if the costs for these systems are reflected for member education. CEO Case affirmed the website includes the costs associated generation and indicated Fall River's staff is in the process of gaining additional information about solar, wind and electric vehicles in an effort to be the expert members can rely on when they are considering purchasing solar, wind or EVs.

FINANCIAL REPORTS SEPT. 30, 2019

CFO Barney reported the cooperative has net margins of \$2.6M better than the year-to-date budget expectations. Variances include computer related expenses that have not been posted yet and pole testing and tree trimming costs that have not been invoiced. Those invoices are expected soon. The Touchstone subscription will also be due soon. Sales of kWh's has been higher than anticipated, and it is higher than the past 5-year average. New service growth of 2.5% is showing no sign of slowing. The cooperative has paid off \$3.7M in long-term debt and will end the year with an estimated 42% equity ratio. The capital budget is 92% spent to date.

Form 7 shows we have 370 new services so far this year and we are expecting to be well over 400 for the year. There is still a lot of new construction going on, so we have quite a few open work orders. The cashflow statement shows we have gone from \$1M in cash on hand to \$7M. It has been determined the best course of action is to invest it until we can pay off more long-term debt without prepayment penalties. We are earning over 2% on this investment with Bank of Idaho and on commercial paper with CFC. Fall River has policies in place for managing the large reserves of cash. At some point it will go the other way, and it is good to be ready for a rainy day in case of downturns in the economy.

PROPANE'S REQUEST FOR LTD FINANCING

Discussion was held about the need of Fall River Enterprise (Propane) for additional funds to cover the costs for recently installed bulk tanks. The equity ratio for Propane is improving and is now over 10%. Staff recommended Fall River provide the long-term loan as requested by Propane. The Fall River Enterprise Board of Directors meet tomorrow, and they will discuss and make their approvals on the terms of the long-term

loan as presented.

Discussion was held on the line of credit of \$500K, and at times going over that amount. Propane has always payed it off by the next month. The board was okay with the flexibility of that practice.

Director Hanson made a motion to approve the Fall River Enterprises requested Long-Term Loan # 15000, if its board of directors approves it. The loan is in the amount of \$223,401 to be paid on a 30-year term at 3.88%. Director Keay seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

THE ADDITIONAL CAPITAL BUDGET REQUEST FOR \$35K FOR A HYDRO BLOWER
The need for a new blower at the Island Park hydroelectric plant was discussed. **Director Hanson moved to approve the purchase of a new blower for the Island Park Hydro's Aeration System. The motion was seconded by Director Robson.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

ASSIGNMENT OF SHARES FOR VOTING – FALL RIVER ENTERPRISES
CEO Case explained the process of the directors owning shares of Fall River Enterprises. Discussion followed and **Director Robson made a motion to approve the Fall River Enterprises assignment of shares: Fall River owns 51,000 shares, this equals 5,100 shares for each director and the CEO/GM to be responsible for and to use in any voting required. Director Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NRECA VOTING DELEGATE – GEORG BEHRENS & BRYAN CASE ALTERNATE
Director Hanson made a motion to approve Georg Behrens as NRECA voting delegate with Bryan Case acting as alternate. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NOMINATING COMMITTEE LIST FOR REVIEW

The process for the board to choose a Nominating Committee was reviewed. In December of each year a potential member pool for the ad hoc nominating committee will be presented to the board to ponder. Early in January, directors may recommend adding names or taking names off the member nominating committee list. At the board meeting in January, directors will come back with recommendations for approval of a member nominating committee list.

Director Draper noted that Shirley Butler and Pat Sturm asked to be removed from the list.

Director Lindstedt commented that she feels a nominating committee is outdated and asked to relook at this process. President Schmier said that in the past there has been a need to encourage members to run and we will need to determine if there is cause for change. He is open to suggestions for a process of how to operate if it is decided to change direction and the bylaws would need to be changed. Director Stiehl said she has been in classes where they discuss possible biases and we need to be careful. President Schmier feels that the Committees that he has been a part of would not feel that they are biased but as we know everyone is biased to some degree. The combination of an active nominating committee, the cooperative's advertising for interested candidates, and the ability to run as

a candidate using the nomination by petition methods provides multiple opportunities for interested members to participate. This process has resulted in many candidates running for board positions and board diversity.

The cooperative could go to nomination by petition process only if the board chose to do that. Attorney Rigby mentioned that, as some cooperatives have moved in that direction, they are being accused of protecting the good old boys. Without the process, cooperatives don't have anyone to run against the incumbents. Getting potential candidates willing to run is one of his arguments against removing a nominating committee.

Director Crowther said that he wasn't in favor of the nomination process until he better understood it. He was upset when he wanted to run for the board and found out the nominating committee had met and forwarded a candidate list already. He then found out that he could run using the nomination by petition process. He thought it was a problem but doesn't anymore. He chose the nomination by petition alternative and he was successfully elected. Crowther said that it is fair and has no problem with the process from his perspective.

Further discussion will be held in January.

DIRECTOR CONFERENCE QUESTIONS – JEFF KEAY
Discussion was held on Director Keay's questions.

EXECUTIVE SESSION

Director Keay made a motion to go into Executive Session at 11:20 a.m. for discussion on personnel, legal updates, or business confidential items; Director Hanson 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 11:35 a.m.; Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION

RATE CHANGE CALCULATOR – RESIDENTIAL AND SMALL COMMERCIAL
Member Services will use this calculator tool for member questions on the rate change
The breakeven line was shown for residential and commercial accounts.

SAMPLE PATRONAGE CAPITAL LETTER AND STATEMENT

The letter and statement of members patronage capital was presented in the board packet.

STUFF THE TRUCK UPDATE

The food drive in Driggs will be held this Friday. Anyone is welcome to help.

ROW VEGETATIVE MANAGEMENT REPORT

CEO Case explained that we have a vegetative management plan and must show the federal agencies that we are working our plan. Trent Yancey was asked to take the floor, and he reported the U.S. Forest Service works well with Fall River, and we have an excellent relationship. We have a special-use permit and are restricted on width (usually 40'), depending on the section of line. Our plan is to keep the easement clear unless there is a danger tree, which we could cut down or trim. Mr. Yancey said there is a new plan in

the works where the Forest Service may help us widen existing easements in light of the fires in California and other areas. Fall River would welcome this and has offered to help.

FEDERATED COMPARISON QUOTE

The quote for insurance and insurance limits were presented for informational purposes. The limits on cyber security insurance were discussed.

HYDROELECTRIC FACILITIES UPDATE

Island Park Hydro - Dave Peterson reported Island Park Hydro is running very well at 180% of average generation. They have replaced batteries in the gate house because the old ones were cracked. The dissolved oxygen is high enough that they haven't had to run the aeration blowers since September. He anticipates dissolved oxygen will deteriorate with ice covering the reservoir.

Buffalo Hydro is running well.

Felt Hydro is running well. They have the old plant cleaned out and are working with the contractor to get the work done.

Chester Hydro set a generation record in December, due to the fact that we haven't had ice buildup. The rake will not break the ice up and staff isn't trying to do so as to not damage the rake.

PURPA requests for Felt and Chester was discussed.

FALL RIVER'S EASY PAY OPTION – PREPAY

CEO Case explained the option. The advantage is that deposits are not required with Easy Pay. If the balance on the account falls below \$40, a notification is sent to warn consumers via text and/or email as established by the member. Members know their account balances and many choose to pay multiple times a month. If a member falls below a zero balance, the power is cut off during weekdays and will not be shut off on weekends or holidays. Fall River also has added steps from November to March to ensure temperatures are above freezing and that personal contact is made. There is a natural tendency to conserve energy as members are more active in tracking their energy use.

SAFETY VIDEO

A link was included in the board packet.

REPORTS

BOARD REPORTS

Executive Committee Chairman, Doug Schmier, had nothing to report.

Director Jeff Keay, Chairman of the Administrative Committee reported the next meeting will be held after the regular Board meeting on January 27, 2019.

Engineering & Operations Chairman, Brent Robson had nothing to report.

Director Jay Hanson, Chair of the Finance Committee reported on the preaudit conference call scheduled for January 15, 2019, at 9:00 a.m.

Policy Committee Chairperson, Dede Draper had nothing to report.

MANAGEMENT REPORT

Discussion on the PURPA issue with Rocky Mountain Power was held.

ATTORNEY'S REPORT

Attorney Rigby reported the Columbia River Dams are still under heavy scrutiny by the tribes. He said the argument of removing the four lower Snake River dams along with removal all the other dams on the river, isn't even enough for the tribes. It is a never-ending story. There are extreme opinions, which makes it difficult to have consensus.

ADJOURNMENT

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

DATE APPROVED: January 27, 2020


Secretary Brent Crowther