

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

December 18, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, December 18, 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 Director Ron Dye. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

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

DIRECTORS ABSENT None

OTHERS

CEO/General Manager (GM) Bryan Case, Executive Assistant Joni Amen, CFO Linden Barney, Engineering Manager Dave Peterson, Operations Manager Trent Yancey, Member Services Manager Brand Hathaway, Engineering Service Representative Randy Wakefield, and Metering Supervisor Brian Curr. Also in attendance was Attorney Jerry Rigby, Island Park Preservation Coalition Spokesman Kenneth Watts, Fremont County Commissioner Bill Baxter, and Previous Board Member Boyd Bowles.

APPROVAL OF AGENDA

Director Hanson made a motion to approve the Agenda. Vice President Burton 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

Director Hanson made a motion to approve the Minutes of November 20th, 2017. Secretary Draper seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Hanson made a motion to approve the Consent Agenda. Director Behrens 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

Director Skene reported on the BPA / ICUA Transmission Transfer meeting in Boise. He said discussion included stability improvements for Goshen Substation. Joe Rogers gave a very good history lesson for the new BPA staff and the others in attendance. The ARTS Agreement was discussed. Director Skene felt that Director Elliot Mainzer was committed to providing transmission to Idaho, as in the past, but costs are rising. GM Case agreed that it was a very positive, informative meeting.

Georg Behrens reported that he attended a Director's Training in Nashville which was very informative. He thanked his mentors, GM Case and Directors Hanson and Skene, and told them that everything he has learned from them was confirmed at the classes. He especially enjoyed the financial classes.

Jay Hanson reported that he was at a CFC meeting where their Loan Committee had voted to approve our request for the revolving loan application.

Director Draper likes the new propane ad in Teton Valley. She also watched the Henry's Fork show on PBS featuring Randy Wakefield recently (filmed several years ago). She said it was very impressive.

President Schmier also reported on the trip to Boise for the Transmission Meeting. He was very pleased to hear the history report from Joe Rogers as well. He said that BPA's new employees needed to hear the reasons for the way things were set up in the past. Director Hanson added that it was important to have these agreements in writing. GM Case had set up the meeting with Administrator Mainzer, with assistance from Will Hart and Joe Elg.

President Schmier reported that he enjoyed the Fall River Christmas Party.

MEMBER COMMENTS

Ken Watts was welcomed to take the floor to report to the Board on the Island Park Preservation Coalition. Mr. Watts gave a brief background, his resume was very impressive. He is an Electrical Engineer and was involved with National Security at INL.

The National Monument issue was discussed. It was noted that 93% of Fremont County residents voted that no part of Fremont County should be included in a National Monument.

The community formed this Coalition to help support the interests of Island Park. The group is very diverse. They have worked on legislation bringing in many different agencies and groups including, U.S. Fish and Game, Henrys Fork Foundation, local citizens, Heart of the Rockies, U.S. Forest Service, and liaisons from our Federal delegation offices to name a few. They are striving to make good decisions. He said that we have two Idaho Legislators in key positions on the federal level. The work on Legislation asks that the Antiquities Act be amended to make it a requirement for Congress to have a say in the creation of a National Monument. Fall River has been involved to ensure the Cooperative could still provide safe, reliable, low cost energy to our current and future members. The Cooperative also wanted to protect our utility's existing infrastructure. Trent Yancey recommended several items to be included in the legislation ensuring Fall River is protected. GM Case said that Trent Yancey is our liaison with the Coalition representing Fall River interests.

Mr. Watts thanked GM Case for helping write the *Call to Action Plan*. He asked the Board to consider supporting the proposed legislation and, if possible, write a letter to help build support from our Legislators. It will take 60 votes to pass in the House. He said that Senator Crapo's staff has been very helpful.

Director Hanson made a motion to support the legislation as presented. Brent Robson seconded. Following further discussion, a voice vote was taken; All were in favor and THE MOTION CARRIED.

Director Hanson made a motion to write a letter from Fall River supporting changes to the Antiquities Act which require the involvement of Congress to establish a national monument. Brent Robson seconded. Following further discussion, a voice vote was taken; All were in favor and THE MOTION CARRIED.

Director Robson said that he has experienced issues with federal agencies regarding snow planes on Jackson Lake. He wholeheartedly supports this issue.

Director Burton said he received a call from a member about the DOT animal overpass issue. Mr. Watts said he personally does not support the animal corridor overpass issue, but the coalition is not acting on this issue.

GM Case reported that Member/Owner Jim Page from Alta, Wyoming is concerned about proposed Net Metering changes and likes the current Net Metering Policy. Mr. Page said he was ok with an annual reconciliation with payment on a wholesale or avoided costs basis. He would not like the reconciliation to happen more than once a year (i.e. monthly, daily, hourly, etc.). Currently, his system is set up to allow him to switch off the grid.

FINANCIAL & STATISTICAL REPORTS

NOVEMBER 30, 2017 FINANCIAL REPORTS – Staff reported net margins through November 30th are \$1.53M better than budgeted. The primary reasons are due to additional hydro generation, because of a good water year, and additional production from Felt Hydro Plant; increased revenues from a colder than expected year; and lower expenses. Fall River's Operations/Maintenance expense is 2.7% under budget due to labor being dedicated to an increase in new services.

Fall River set a long-term goal to improve equity from a low of 26% to 38% and it was noted that even after paying out or retiring Patronage Capital to our Owners/Members, the Cooperative is still over 38% Equity.

Expenditures for capital projects totaled \$2.6M, as of November 2017, of the anticipated \$4.3M annual budget. The Cooperative is collecting Contribution in Aid which covers the costs of construction.

Fremont County Commissioner Bill Baxter addressed the board and reported that the number one issue in Fremont County is the costs associated with the landfill. The County has closed the landfill to trash and are hauling Fremont County waste to Terreton, to the West Jefferson facility. A scale has been installed to weigh trash and they are expecting to charge for waste disposal by the pound starting in October of 2018. This charge is on top of fees already paid on resident's property taxes. DEQ is regulating the County to the point that Mr. Baxter feels will be unsustainable. Six inches of soil must cover the garbage every day. The County is recycling glass and cardboard. Plastic is the main problem now, as there is no demand for it. Tires are also a large problem.

Mr. Baxter reported that in March, bids will go out for replacement of the Ora Bridge. It is almost completely condemned and there are restrictions on its use. The costs are anticipated to be very high. The route will be changed, and it will go straight through instead of turning the corner. The old bridge will be removed when the new one is built.

GM Case asked about the DOT Highway plans on Highway 20. Mr. Baxter said he isn't sure what the plan is at this time. In 2020 the County will replace the road from Salem to Price's Corner. A new bridge in Lamont is also in the works. ITD plans to resurface the road near Elk Creek and build a new ATV trail along the side of the road. The issue with the roads in Yale Creek Subdivision was discussed.

Mr. Baxter said it was a privilege to serve as a Commissioner and he enjoys it very much. He does the best he can to make good decisions for the County.

COOPERATIVE BUSINESS

2018 WORK PLAN, GOALS, AND BUDGET BOOKS were handed out.

PROPANE ASSIGNMENT OF SHARES FOR VOTING

GM Case reported that we will have the propane shareholder meeting next month.

Following Discussion, Director Hanson made a motion to approve the assigned voting shares for Fall River Enterprises. Director Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

RATIFICATION OF PATRONAGE CAPITAL RETIREMENT

Director Robson made a motion to Approve by Ratification the payment for retirement of Patronage Capital in the amount of \$1,023,000. Director Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

GM Case reported that there was an error on the Patronage Capital Retirement check, the date of the Patronage Capital Retirement was wrong. A letter informing Member/Owners will be going out soon.

INSTANT PATRONAGE CAPITAL.

GM Case reported the Cooperative had a great year financially due to cost management; increased production from our hydroelectric facilities; and a colder than normal year. The board had been discussing ways to help members understand they are owners of the Cooperatives so GM Case offered a recommendation to pay back a portion of the Cooperative's current year margins since the Cooperative did so well financially in 2017. Paying back current year margins would get members money back into their hands and provide an educational opportunity to help them understand that they are the owners of the Cooperative. This would not be something that is done every year. The Cooperatives equity ratio will be affected slightly. GM Case suggested providing the rebate in January 2018. This will include all members who paid a power bill in the year 2017. Discussion with Attorney Rigby on the legality was held.

Director Draper encouraged the Board to consider this option. Director Skene had concerns about how to best message it. The board discussed the pros and cons of providing the rebate back to member/owners of the Cooperative. GM Case again stated that the Cooperative has been very cost conscious combined with a fantastic water year resulting in a record hydroelectric generation for the Cooperative; sales were higher due

to cooler than normal weather; and Fall River has achieved its long term financial goal of a 38% equity ratio.

Director Burton made a motion to rebate Member/Owners \$1M for excess margins in 2017. The motion was seconded by Director Smith. More discussion on concerns vs. opportunities was held. President Schmier called for a show of hands for the vote. FOUR WERE IN FAVOR AND FIVE WERE AGAINST. THE MOTION FAILED.

Secretary Draper then moved to rebate Member/Owners \$750K for excess margins in 2017. Director Smith seconded the motion. President Schmier called for a show of hands again for the vote. FOUR WERE IN FAVOR AND FIVE WERE AGAINST. THE MOTION FAILED.

Director Hanson then moved to rebate the Member/Owners \$500K for excess margins in 2017, Director Behrens seconded. President Schmier again called for a show of hands for the vote. SIX WERE IN FAVOR AND TWO WERE OPPOSED. THE MOTION PASSED.

MECA SAFETY AWARD

President Schmier presented a safety award from MECA to staff for no lost time accidents for the past 2 years.

SOLAR FOR SCHOOLS UPDATE

GM Case reported that he met with Monte Woolstenhulme in Driggs. GM Case and Member Service Manager Brand Hathaway plan to meet with the Superintendents and Principals from West Yellowstone and North Fremont High Schools soon. Mr. Woolstenhulme was very encouraging and stated that Teton County may be able to help with fund raising. The educational component is very exciting. GM Case will talk to Mr. Solomon from Rocky Mountain Power to let him know of our intentions, since North Fremont High School is in their service territory.

NRECA VOTING DELEGATES

It was noted that Directors Brent Robson, Georg Behrens, Doug Schmier, and Jay Hanson plan to attend the NRECA Annual Meeting.

Director Skene made a motion for Director Brent Robson to serve as Voting Delegate and Georg Behrens to serve as Alternate. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ANNUAL MEETING TIMELINE

GM Case reported that we have two Bylaw changes to be brought to the Members' Annual Meeting. The first is a proposal to allow members leaving Fall River's service area permanently to receive their patronage capital on a discounted basis. The second is for a Board Compensation Committee to be approved. The timeline lists the deadlines for action items that need to be completed.

EXECUTIVE SESSION

Director Hanson made a motion to go into Executive Session. Director Robson 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.

Following the Executive Session Director Hanson made a motion to follow staff's recommendation on the PNGC Proposals. Director Behrens seconded. All were in favor THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

HYDRO UPDATES

Chester CREBs Interest Credit of \$221,147.77 was received. Chester's Section 242 Grant awards were received.

GM Case reported the Chester stator repairs have been authorized to proceed with the proposed costs of \$328K. The Stator repair costs are covered with a \$5,000 deductible on the insurance policy. Staff is investigating an option of self-insurance in the future. GM Case outlined the repairs for Chester's turbine.

The Chester Hydro is currently off-line due to ice buildup. The rake doesn't handle the ice well. Staff will wait until it thaws to turn it back on. They have received bids for a backup rake and they are running the numbers. When staff have decided on the best option, they will make recommendation to the Board for approval.

FELT INCOME STATEMENT AND STATUS OF PACIFICORP PAYMENTS.

Fall River has received the payments from Rocky Mountain Power for energy production to date. Maintenance work is needed on the rake and repairs are within budgeted amounts, the work will be done soon.

ISLAND PARK AND BUFFALO HYDRO'S are running well.

GRAND TARGHEE ON-SITE GENERATION UPDATE

A video of the Generator running was shown to the Board. It is noisy and puts out a lot of smoke until it warms up. The crew successfully tested it under load with the exception of an issue with a regulator.

GM Case said he is confident that it will run well as backup. He explained that the generator could be used to shave peak load in the future if needed.

ELECTRIC SERVICE REQUIREMENT booklet was handed out. It is on the website.

UNCOLLECTABLE ACCOUNTS WRITTEN OFF were reviewed.

REPORTS

FINANCE CHAIRMAN, DAN SKENE reported that a conference call for the Pre-Audit will be held on January 18th at 9:00 a.m.

ATTORNEY RIGBY'S REPORT

Attorney Rigby reported on the Columbia River Treaty (CRT). The Idaho group includes Will Hart- ICUA, Idaho Water Users, and 18 other Idaho organizations/entities. GM Case initiated the first meeting with the originators of Idaho's position paper on the CRT. Fall River has been encouraging Idaho and others to get Canada to come to the table for negotiations. The Idaho position paper presses for termination of the Treaty only if

mutual negotiations do not progress and have pushed to exclude "Ecological Considerations" from the Treaty. Ecological concerns are addressed with the Endangered Species Act, Clean Water Act, and many others. The Idaho CRT contingency met with the federal negotiating team and wants their voices heard, and to be sure negotiations address the Canadian entitlement and protects water agreements and river/reservoir operations in Idaho. They also want the US Entity (negotiations team) to understand Idaho's unique relationship with water and water reserves, as it is very important to fill our reservoirs every year for irrigation and not let the water run down the river. The Idaho Group met with Jill Smail, who was the lead negotiator, and Austin Ewell. They feel confident in their leadership on the federal level. Negotiations are planned to be held in January, which is a tremendous success, as Canada has been unwilling to come to the table in the past, and they were also able to meet with the Speaker of the House, and the Army Corp. of Engineers Personnel. It was noted that Idaho Power will not recognize or join the group.

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

ADJOURNMENT

There being no further business, **Director Robson moved that the meeting be adjourned. Director Hanson seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 2:45 p.m.

DATE APPROVED: January 22, 2018


Secretary, Dede Draper