

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

February 20, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, February 20, 2017, 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. Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by Attorney Hyrum Erickson.

ATTENDING OFFICERS

President Doug Schmier, Vice-President Debbie Smith, and Secretary/Treasurer Dede Draper

DIRECTORS PRESENT

Brent Robson, Dan Skene and Ron Dye
Boyd Bowles, Jay Hanson and Ralph Burton participated via Conference Call

DIRECTORS ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, Engineering Manager Dave Peterson, and Operations Manager Trent Yancey. Also attending, Attorney Hyrum Erickson

APPROVAL OF AGENDA

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

APPROVAL OF MINUTES

Following a review of the minutes for January 23, 2017, Dan Skene made a motion to approve the minutes as presented. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Debbie Smith made a motion to approve the consent agenda. Brent Robson seconded the motion which included Memberships, Purchase of Power Agreements, check reports, vouchers, safety reports, and capital credit reports. THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENT

There were no member comments to discuss. At this time, the Board invited Operations Foreman David Stone to report on FRREC's efforts in helping Lower Valley Energy (LVE) restore power and the 17 power pole structures that recently went down due to high winds, leaving Teton Village without power for a few days. Staff went through a power point with pictures of the damage and gave an overview of the work they completed. There were 25 linemen from four utilities and one contractor who came to assist. Coordination efforts were well organized and work was able to get done quickly and efficiently. Linda Schmidt, LVE Board Member, and Jim Webb called to thank Fall River and our staff. Discussions and questions continued, with clarification given by staff. GM Case received many accolades for the efficiency and hard work of the Fall River staff. He was told that once staff was given direction and the plan, the FR staff needed no oversight; they did the work well and in a professional manner. The Staff and Board discussed Fall River's preparedness for events of this nature. GM Case reiterated that this was a perfect example of Cooperatives working with other Cooperatives; just as FRREC was there to help in a time of need, there are other utilities that would be available to help FRREC if the need arose.

FINANCIAL AND STATISTICAL REPORTS

2016 YEAR-END FINANCIAL REPORTS -

Included in the board packet were the 2016 year-end financial reports for review. There were a few minor adjustments as staff prepared for the annual audit.

JANUARY 2017 FINANCIAL REPORTS -

Net margins were \$217k better than budgeted for January primarily due to increased revenue, which was 12% higher than budget due to the increase in kWh sales. The cold weather in January was a contributing factor. Purchased power costs were up 12% due to higher load shaping charges, which is consistent with the increase in revenue noted above.

Controllable expenses were within 2.9% of budget. However there were significant swings between the operations and maintenance lines due to the amount of time spent on the Targhee outage. In total, labor and overhead charged to operations was \$38k higher than budgeted due to less time available for work orders and overtime from the large outage. The overage in labor was offset by other items being under budget. The largest of which was \$18k under in outside consulting fees, which January's budget included \$15k for a portion of a study to be performed by a consultant which has not been billed yet.

Cash flow from operations was low due to the quarterly interest payment on CFC debt and prepayments that are billed at the beginning of the year. There was \$276k invested in plant, most of which was the digger derrick that was carried over from last year's capital budget. FRREC paid \$450k of principal on CFC debt which is due quarterly and \$750k was borrowed on the credit line, which is less than FRREC normally borrows at this time of year.

Aid to construction was slightly higher than the non-site specific spending, due to the timing of payments coming in.

FINANCIAL AUDIT REPORT -

Staff reported the auditors were here for 2 days; a full report will be given to the Board in April when the audit firm addressed the board. It was another clean audit with no audit adjustments being made. The Auditors did submit a suggestion to the Helping Hands by-laws, which will be discussed by the Helping Hands Board of Directors and will determine the direction to proceed.

COOPERATIVE BUSINESS

GENERAL POLICIES 505 and 610 –

Dede Draper gave a brief recap of the Policy Committee activities and presented each of following General Policies to the FRREC Board for approval; GP 507 “Energy Conservation”; GP 602 “Management-Employee Relations”; GP 614 “Work Standards and Personal Conduct”; and GP 617 “Community Service”.

Dede Draper moved to approve General Policy 507. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Jay Hansen moved to approve General Policy 602. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Jay Hansen moved to approve General Policy 614. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Jay Hansen moved to approve General Policy 617. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. It was noted that this is a voluntary option for employees and they are not obligated to participate.

The Policy Committee will continue to meet and bring the next group of General Policies reviewed back to the board next month.

YEAR-END RECAP OF WORK PLANS AND GOALS –

GM Case reviewed the year-end recap of the FRREC work plans and goals, noting if there was a change of direction or if an action item was carried over to 2017. The two goals not met was the Chester generation goal and the meter testing goal.

ANNUAL MEETING 2017 – PREPARATIONS AND NOMINATING COMMITTEE –

A list of names of FRREC members who have been previously contacted to serve on the Nominating Committee will be sent out to the Board for their review and to make suggestions of anyone new to invite to participate. The Nominating Committee is calendared to meet on November 15th, at which time they will determine candidates to run for Board positions in District #2, #3 and #8. If a person would like to be a candidate and is not chosen by the Nominating Committee, they can be nominated by petition; information on this process will be posted in the various Annual Meeting notices and will be in local newspapers.

TIMELINE FOR ANNUAL MEETING –

A copy of the Annual Meeting timeline was included in the board packet for information and review. This year's meeting will be held Saturday, June 24th at North Fremont High School. A follow-up Member Appreciation Meeting will be held in late August or early September in West Yellowstone.

NRECA ANNUAL MEETING – RESOLUTIONS

A link was sent out to all board members from NRECA with information regarding the resolutions that will be presented at the NRECA Annual Meeting. GM Case will resend the link to those who will be attending. If any board member has any questions or concerns, they are to contact GM Case.

HYDRO OPERATIONS –

Staff reported Buffalo hydro is up and running. Water levels have been too low to run Island Park hydro. Chester rake is still being repaired; a monitor screen that was repaired has been sent off to Batdorf to program. Riverside will be testing turbines #1 and #3. Staff reported they will also be looking at options for the rake, either a back-up rake or a different brand. Staff will bring recommendation back to the board. Fall River Staff are expecting to have all three Chester turbines running by April, so they can operate during the spring run-off.

LOW IMPACT CHESTER –

Chester has received its certification as a low impact hydro. Island Park and Buffalo are in the process of being certified as low impact hydros. Once qualified, there is an annual fee and Renewable Energy Credits are issued to Fall River for the power produced from these plants. Staff to review in three years to evaluate whether the credit or value received compared to the cost to certify the plants is worth the investment.

VIDEO ON FEDERAL HYDRO SYSTEM –

This video was produced by River Partners showing the benefits of the nine dams on the Snake River and Columbia River.

SNOW LOADING AND SNOW SHEDDING EVENT –

Staff went through the power point showing the effects of snow loading and shedding. Staff will be working on adding a few more poles to shorten the spans between some of

the lines, and possibly using the short arms on some as well. Also included in the presentation was pictures of the construction of the Fall River substation, the Millers pond project, along with the installation of the Smoke Jumpers pole as well as other community activities.

Staff explained the importance of safety trainings for emergency personnel, as it plays a big part in accident response; accident examples were also included in presentation. Staff will be changing the safety demos which in the past have included a table top presentation in the schools, to a new program using the high voltage safety trailer where school students will be bused to Fall River's warehouses for the demonstration instead.

CRC VOTING DELEGATE –

Following a discussion on who would be attending, and could serve as the CFC voting delegate, **Dan Skene made a motion to nominate Ralph Burton as the CRC Voting Delegate and GM Bryan Case as the Alternate Voting Delegate. Debbie Smith seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ICUA BOARD AND ALTERNATE BOARD DELEGATES –

Following some discussion, **Dan Skene made a motion to keep Dede Draper as the ICUA Board Delegate and GM Bryan Case as the Alternate ICUA Board Delegate. Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

RESOLUTION 638 – ASSISTANCE TO LVE –

President Doug Schmier would like to recognize staff for not only for the work they did, but also for volunteering to go. Resolution 638 is the Boards way of extending their sincere gratitude for this. By consensus, the Board will place Resolution 638 on file and present copies of this to those who participated.

RECOMMENDATION FOR MONTANA SCHOLARSHIP – DEDE DRAPER

The Administrative Committee met prior to the Board Meeting and are submitting their recommendation to forward applicant Austin Grube to MECA for the MECA Memorial Scholarship. **Dan Skene made a motion to approve the recommendation from the Administrative Committee and forward Austin Grube's application to MECA for consideration. Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. Staff will notify other applicants and encourage them to re-apply for the FRREC scholarships.

FALL RIVER SCHOLARSHIP TIMELINE – ASSIGNMENTS

Administrative Committee Chair Dede Draper presented the timeline and criteria included in the board packet. Last year FRREC had increased the number of scholarships and the amounts; the committee will keep this the same number and scholarship amounts again this year. The Administrative Committee will bring scholarship recipient recommendations to the April 17th Board Meeting. GM Case encouraged board members to pass along the information to anyone they knew who might qualify.

PNGC POWER POOL –
NATIONAL POWER POOL MAP –

GM Case reviewed the generation and transmission power pool map. There was discussion of the reasons why utilities participate in power pools; reduced costs, economy of scale, diversification of generation, and risk mitigation were listed as key reasons. Risks were also identified. The long term commitment was a concern expressed. GM Case encouraged board members to ask questions as Beth Looney, PNGC CEO, will be attending and making a presentation of the conceptual PNGC business model at the March board meeting.

PNGC PRESENTATION –

GM Case presented the power point, reviewing how this might effect FRREC, along with the pros and cons. GM Case reiterated that this is a conceptual business model and still needs additional details defined. Fall River will need to create a list of pros and cons specific to FRREC. Board members gave input on their perception and the commitment to see PNGC succeed.

GM Case pointed out PNGC CEO, Beth Looney, is open to other options but will be looking for a model that will be the best for PNGC. GM Case gave some clarification on PNGC being a G&T, along with some history on PNGC reaching critical mass.

The Board continued their discussion of other options possible for G&T's. UAMPS offers a different method, giving options for the various types of generation. Some only require a 20 year commitment. GM Case will check into the different G&T's requirements and options.

EXECUTIVE SESSION

Dan Skene made a motion to go into Executive Session. Brent Robson seconded.

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

Dan Skene made a motion to go out of executive session. Brent Robson seconded.

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

Boyd Bowles made a motion for GM Bryan Case to proceed with the Felt hydro plant negotiations as directed in executive session. Brent Robson seconded.

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

FOR INFORMATION PURPOSES –

ICUA YOUTH RALLY SCHOLARSHIPS DUE APRIL 10, 2017 –

GM Case announced the ICUA Youth Rally Scholarships are available and the deadline to submit applications is April 10th. This year FRREC will be reducing the number of scholarships to four, but increasing the amount from \$200.00 to now \$500.00. By doing so, the hope is that it will increase the interest. GM Case asked board members if they knew of any sophomores or juniors that might be interested, to encourage them to apply.

ICUA BOARD REPORT –

GM Case gave an update on the legislation ICUA is working on.

H0152 – Unclaimed Patronage Capital

Idaho State requires that there is notice given. This new legislation will be streamlining the process, moving to an electronic process.

S 1068 – Office of Invasive Species

Idaho State is debating this right now; ICUA is supportive of the bill. ICUA may call upon members to make contact with legislators.

Dede Draper will be sending out the Legislative Updates received from ICUA.

ICUA members are also working with Idaho Power on a coordinated Safety Summit and have agreed to look a Mutual Aid agreement for Idaho utilities.

DEMAND RESPONSE VOLUNTARY IRRIGATION PROGRAM –

Staff met with BPA representatives and irrigators who participated in the program this past year to review the results. The cost to FRREC was about \$3,000, and Fall River was able to reduce loads by 2 MWh using a low cost technology. All of the irrigators that participated are willing to do it again. If FRREC participates again, our goal is to ensure the savings by shaving load go back to the irrigators who are participating. BPA will review the information and let FRREC know by the end of the month if they will plan on conducting the test again. If BPA does decide to do it again, then FRREC will move forward with the program.

GRAND TARGHEE UPDATE & ON-SITE GENERATION CONCEPT –

GM Case and FRREC staff met with the management team of Grand Targhee (GT) to present to them a concept developed for on-site generation. Staff presented the option to update the 171 line as well as the on-site generation. The cost estimated for the on-site generation was about \$475,000.00. GT has asked staff to comeback with a downsized on-site generation model. There was a discussion of fuel options versus propane options. If this model works, staff would present it to others who might be interested. Staff will also be looking at smaller on-site generation 500 kv propane options. Consensus of the Board was to move forward with the concept.

REPORTS

BOARD COMMITTEES:

ADMINISTRATIVE COMMITTEE CHAIR – DEDE DRAPER

The Administrative Committee report was given earlier in the meeting. The next meeting will be held April 17th, 2017 at 9:00 am.

GM Case reported the Administrative Committee discussed in their meeting the donations distributed for 2016 and it was agreed to increase the amount of donation to Teton Valley Community Foundation.

FINANCE COMMITTEE CHAIR – BOYD BOWLES

The field audit is complete, with a final report to be given at the April Board Meeting.

The final numbers for the Swan Safe project will be in by the end of February, with a report next month.

POLICY COMMITTEE - RALPH BURTON

The Policy Committee report was given earlier in the meeting. The next meeting will be held March 27th, 2017 at 9:00 am.

MANAGEMENT REPORT:

GM Case reiterated the quality of staff at FRREC.

ADJOURNMENT

There being no further business, **Brent Robson moved that the meeting be adjourned. Dan Skene seconded.** By consensus, the meeting was adjourned at 2:02 p.m.

DATE APPROVED: March 27, 2017


Secretary, Dede Draper