

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

July 27, 2020

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, July 27th, 2020, in person and by webinar/teleconference. Having determined a quorum was present, President Dede Draper called the meeting to order at 10:08 a.m. The invocation was given by CEO/GM Bryan Case. The Pledge of Allegiance was recited. The minutes were recorded by Executive Assistant Angie Haws.

ATTENDING OFFICERS

President Dede Draper, Secretary/Treasurer Husk Crowther, Vice President Georg Behrens, Past President Doug Schmier

DIRECTORS PRESENT

Anna Lindstedt, Jeff Keay, Jay Hanson, Jodi Stiehl, and Brent Robson

DIRECTORS ABSENT - NONE

OTHERS PRESENT

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, CFO Linden Barney, Guests Lineman Kade Larson, Lineman Derek Hanks, PNGC CEO Roger Gray and Executive Assistant Angie Haws

OTHERS PRESENT BY WEBINAR/TELECONFERENCE

David Moore, Fall River Enterprises board member

APPROVAL OF AGENDA

Director Stiehl made a motion to approve the agenda as presented which was seconded. President Draper asked if any opposed. None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

MEMBER COMMENTS

No members were present to make comments

FINANCIAL REPORTS – JUNE 2020

CFO Barney reported net margins are \$742K ahead of budget expectations year-to-date. Labor and overhead are 6% lower than budget expectations, partially due to where labor has been charged, expensed vs. capitalized, and partially due to not hiring the budgeted temporary summer help in light of COVID-19. Interest expenses are lower than expected due to favorable interest rate repricing. The growth rate in new services is holding steady at 2.5%, and the Cooperative's equity ratio is 44.7% year-to-date. The Cooperative has invested 40% of the planned Capital Budget projects year-to-date.

CEO Case discussed year-to-date kilowatt usage reports and the effects of COVID-19 on Fall River's financials. Reports show decreased commercial usage, down 14% in June, and an increase in residential kWh usage resulting in a net kWh usage increase for the year. The

residential increase is due to more people working from home, a colder than normal spring and early summer, and continued new construction. CEO Case stated that new construction is holding strong. Director Crowther inquired whether the supply chain could be interrupted. CEO Case responded that we are monitoring material and equipment costs and availability anticipated for 2021 in order to ensure that we are prepared for future construction and maintenance projects. The pandemic slightly increased the number of delinquent accounts, but we are within a few thousand dollars from last year. Financially, the Cooperative is in a good position with a strong equity percentage and cash reserve sufficient to make it through an economic downturn if it materializes.

President Draper talked about extra funds in the Board budget due to lack of travel. Some of those excess funds were diverted to Helping Hands. CFO Barney confirmed we are \$17,500 under budget for Board travel and training.

COOPERATIVE BUSINESS

STRATEGIC DISCUSSION PRIMER

POWER AND TRANSMISSION SUPPLY STRATEGIES – POST 2028

PNGC STRATEGIC DIRECTION, POWER & TRANSMISSION POST 2028 CONTRACT; AND PNGC VALUE ADDED SERVICES

Guest Roger Gray, CEO of PNGC Power, gave a presentation on strategic direction for power and transmission. The Board discussed BPA's aging infrastructure and the potential effects on reliability and cost. Anything other than a 100% BPA option would need a five-year lead time. Director Lindstedt asked what alternatives to BPA exist. Potential diversification options were explored. CEO Case referred to the member survey that indicated an interest in non-carbon options if the subsequent costs would fall within 3% of the current rate. Director Hanson asked if CEO Gray saw a potential for BPA, with its power and transmission assets, to become privatized. CEO Gray noted that it is always possible, and there is currently renewed interest in Washington DC to sell off transmission assets. If BPA is required to sell off its transmission, Roger suggested public power and that Fall River should consider becoming a buyer or a co-owner of the system to ensure some control over the future of the BPA's current transmission facilities and the Cooperative's transmission needs. Director Behrens pointed out that BPA has all the time in the world, and that we are the ones that need to establish expectations on BPA and push for a timely decision for contract execution. CEO Gray agreed, adding that, if we wait, Fall River will be left with only one option. He reassured the Board that PNGC can assist with all phases of decision making. CEO Case discussed Fall River's previous dialogue on BPA contract expectations and the work done a year ago in examining the Cooperative's power and transmission options.

PATRONAGE CAPITAL AND EQUITY DISCUSSION

EQUITY OVERVIEW 101

After a decade of working in "a building equity mode", Fall River has seen an increase in equity from a low of 26% to today's equity of 44%. It was noted that NRECA's recommendation is that equity not exceed 50%. A percentage of equity is returned when patronage capital is paid out to members. CEO Case and CFO Barney discussed the basics of equity and reviewed the current equity management plan. Attorney Rigby advised the Board on the importance of staying in an optimal equity range.

MEMBER PATRONAGE CAPITAL RETIREMENT DISCUSSION

The Board reviewed the current patronage capital retirement plan that pays out on a 20-year cycle. Other retirement options were discussed, including the FIFO (first-in, first-out) method and Fall River's current approach, the LIFO (last-in, first-out) method, or a hybrid of the two, as well as several other options. Staff provided a recommendation, and the consensus of the Board was to revisit retirement options at a future meeting. An industry survey conducted by ANSI showed 85% of Fall River members surveyed trust and appreciate Fall River as their energy provider. The average ANSI score is 82%. Based on survey results, a growing number of younger members recognize and appreciate the value of the Cooperative.

RECENT PATRONAGE CAPITAL RETIREMENT SURVEY

LOWER VALLEY CURRENT YR. PAT CAP DISCOUNTED RETIREMENT OPTION

This and the patronage capital retirement discussion were proposed to be postponed to a future meeting. All were in favor.

NW RIVER PARTNER REQUEST FOR LETTERS OF SUPPORT

Vice President Behrens made a motion to approve the request for letters of support.

Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

President Draper asked if any opposed to supporting the NW river letter of support as written. None opposed; THE MOTION CARRIED BY GENERAL CONSENT.

RECOGNITION/PICTURES

President Draper thanked Past President Doug Schmier for his excellent contributions as president and vice president, and for his years of service on the Board. She mentioned Fall River has a gavel to present to him for his service as Board President. President Draper also presented Past Vice President Robson with a plaque in appreciation for his service as vice president; she thanked him for a great job. Congratulations to Directors Lindsteadt and Stiehl for receiving their Credentialed Cooperative Director certification.

NRECA 2020 SPOTLIGHT OF EXCELLENCE AWARDS, SILVER AWARD FOR FALL RIVER BEST INDIVIDUAL AD – LINEMEN APPRECIATION ADVERTISEMENT

President Draper Proposed the 2021 Fall River Budget Meeting to be an Official Board meeting on Oct 19th, 2020. All were in favor; therefore, the budget meeting will be counted as an official Fall River Board meeting.

President Draper proposed an Ad Hoc Committee comprised of a subsection of the Fall River Board to evaluate the 2020 Virtual Annual Meeting and to discuss and make recommendations to the full Board for the 2021 Fall River annual meeting. The purpose of the Committee would be to evaluate the virtual meeting prior to implementing potential changes to future meetings. Director Keay, Director Lindstedt, Past President Doug Schmier and Vice President Behrens expressed interest in serving on the Ad Hoc Committee.

CONSENT AGENDA

Director Hanson made a motion to approve the Consent Agenda. Secretary/Treasurer

Crowther seconded the motion which included expense vouchers, June 22nd, 2020 Board minutes, new memberships, purchase of power agreements, check register, safety report, and the discounted patronage capital refunds report. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE REPORTS

Quarterly Fall River Propane Update provided by Propane Director David Moore.

Propane is financially sound with net margins exceeding budget expectations by \$273,299. Current capital investments to date in 2020 consist of two trucks, a Bobtail and Knuckle Boom, as well as new customers tanks. The new propane software has been installed and staff is seeing increased efficiencies. The pandemic temporarily slowed down service and tank sets, but it has since picked back up. The Propane Board is meeting next month for strategic planning. Preparations are being made to hire a new Propane GM within the next year. Potential for growth in Wyoming continues, but will require concentrated efforts.

BOARD REPORTS

ICUA VIRTUAL ANNUAL MEETING

Directors expressed gratitude for the information presented and the opportunity to participate in the meeting. Eric Anderson, Dave Kenny, and Kurt Miller were specifically mentioned as excellent presenters with very worthwhile content.

CFC MEETING

Cancelled due to Covid-19 concerns

EXECUTIVE SESSION

Director Robson made a motion to go into Executive Session at 1:20 p.m. Director Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson made a motion to go out of Executive Session at 1:40 p.m. Director Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION

JONI AMEN'S RETIREMENT COMMENTS

Comments were provided in the Board packet.

DOT RECOMMENDATION ON FUTURE HIGHWAY

CEO Case indicated current plans show FR will not be required to relocate the Ashton buildings or parking lot. A low retaining wall will likely be required in front of the building. The current expectation is that there will be minimal impact to FR.

2020 QUARTERLY WORK PLAN PROGRESS REPORT

CEO Case stated even with the pandemic, FR was able to complete most projects and we are on track to reach our goals by the end of the year (a few exceptions were highlighted in the report on work plan and goal progress-to-date).

2020 GOALS

A report was provided in the Board packet.

BPA WILLAMETTE RIVER PROJECTS UPDATE

A report was provided in the Board packet.

SAFETY MEETING – MAYDAY EXERCISE

CEO Case said the live Mayday exercise was a difficult but necessary test. Approximately five employees were aware that this was not an actual contact accident, and the rest of the FR team was unaware that the Mayday was just an exercise. CEO Case said we needed it to be as real as possible. The management team was very pleased with the outcome of the exercise. Emotions did run high. However, all departments responded very well. The intention is to ensure that FR employees are prepared, and to have the best possible outcome in the event of an actual Mayday call.

FACE MASK REQUIREMENT AND GUIDANCE 7-16-20

A report was provided in the Board packet.

HYDRO FACILITIES UPDATE

Island Park- Generation has been good and the new DO requirements are in place. The blowers have been used to meet DO requirements and the plant did experience a sensor failure, which is being addressed.

Buffalo- has been off for about a month with moss and algae issues, but now it is up and running.

Felt- The facility is operating well, and fish counts are continuing.

Chester- Generation is down to one turbine, and we are expecting the new rake to be installed by the end of August.

4-H COUNTY FAIR DONATIONS

Teton and Fremont 4-H sales are planned and FR plans on participating with FR Propane.

JULY 2020 ACCOUNTS TO WRITE OFF TO BAD DEBT

A report was provided in the Board packet.

GENERATION MIX AND DISTRIBUTIVE SOLAR UPDATE

Power point presentation included in the Board packet.

DONATION REPORT

Donations made through June were included in the Board packet for the Board's review.

MANAGEMENT REPORT WAS PROVIDED

REPORTS

BOARD COMMITTEE REPORTS.

Director Draper reported on the **Policy Committee** Meeting and stated the next meeting will be on October 26th, 2020 at 9 a.m.

Director Hanson reported on the **Finance Committee** and said the next meeting will be on July 30, 2020 at 9 a.m.

Director Keay had nothing to report on the **Administrative Committee**.

Director Robson had nothing to report on the **Engineering Committee**

ATTORNEY REPORT

Attorney Rigby had nothing to report.

NRECA Registration for Regions 7 & 9 will be virtual for 2020 (details coming).

FALL RIVER BYLAWS

Bylaws have been updated on FR's website and printed copies will be available in August.

ADJOURNMENT

There being no further business, **Director Robson made a motion to adjourn. Director Stiehl seconded the motion.** A voice vote was taken; **THE MOTION CARRIED BY UNANIMOUS VOTE.** The meeting was adjourned at 2:38 p.m.

DATE APPROVED: August 24, 2020


Secretary/Treasurer Brent "Husk" Crowther