

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

March 27, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, March 27, 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 Jay Hanson.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Brent Robson, Jay Hanson, Ralph Burton and Ron Dye
Boyd Bowles and Dan Skene 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 Jerry Rigby

APPROVAL OF AGENDA

Jay Hanson made a motion to approve the Agenda. Brent Robson 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 February 20, 2017, Jay Hanson 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

Jay Hanson 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

A member had submitted a comment regarding the 60 day expiration on Patronage Capital checks. Staff will extend the allotted time for the checks to be redeemed to a 90 day expiration time limit.

There was also mention of some follow-up road work that needed to be done on the Wyoming State Line Road. FRREC crews will need to close off the road to complete the work and is waiting for Grand Targhee to close the ski run and then will repair so they are not impeding as much traffic.

FINANCIAL AND STATISTICAL REPORTS

FEBRUARY 2017 FINANCIAL REPORTS –

Margins have exceeded the 2017 year to date budget by \$350,000, with the biggest contributing factor being higher revenue from increased kWh sales (highest kWh sales since 2009), which was a reflection of the recent cold temperatures. Higher purchased power costs partially offset the higher revenue. However, due to more fixed cost components in power cost, power costs were above budget by 4% while revenue exceeded budget expectations by 6%.

Staff reported labor and overhead is \$66k higher than budget YTD due mainly to outages. The higher labor and overhead was more than offset by expenses which were under budget mainly due to timing of when expenses will occur. Staff had budgeted \$71k for blower repairs in Island Park and \$35k for the natural gas study during February and March; the bills are just starting to come in for these items.

Controllable expenses were 5% under budget YTD. Staff reported FRREC has generated \$600k of cash flow from operations through February and have spent \$423k on plant investments. Also, long-term debt has been paid down by another \$750k. The line of credit was accessed in January, but should be paid off before the end of April.

Clarification was given as needed. Equity reported close to 38% and staff is planning another busy year for construction and new services.

COOPERATIVE BUSINESS

PNGC PRESENTATION –

At this time, the Board invited PNGC Administrator, Beth Looney to address the Board. Beth introduced herself, sharing her background in the industry. Beth then went through a PNGC power point, covering the purpose of a G&T, load and risk diversity, advantages

and disadvantages, and the history for the creation and need for PNGC. Beth then reviewed a new proposed business model which PNGC is exploring. Ms. Looney reviewed the base-case assumptions, which included the load forecast, Tier 1 BPA costs, BPA's reference rate case; giving clarification as needed. GM Case also gave clarification regarding the BPA obligation to fish; addressing CAL-ISO, and EIM. Beth continued with the assumptions, BPA charges, PNGC Part B rates, Non-Power Costs and Equity Adder. She then reviewed rate alternatives; seven different rates were reviewed. Estimated benefits and risks for Fall River were reviewed. Ms. Looney reviewed the forecasted rates and how it would affect Fall River's rates under an expected case; low market conditions; and high wholesale market conditions.

Beth explained the inverse rate relationship with a BPA hydro centric generation portfolio and how it handicaps BPA. Mitigating risk would require a diversification of risks in wholesale power, which spreads risk by purchasing from the market, BPA, and potentially owned generation. After reviewing the benefits of the new proposed business model, she also explained some of the risk. Clarification was given as needed. Boyd Bowles suggested performing a trial experiment through 2028 and GM Case suggested building in opt-in and opt-out provisions which are defined and would not require board approval. Beth addressed these two suggestions. Also asked for clarification, was the relationship with BPA and the transmission contract, she explained these are two separate contracts. Beth finished the presentation focusing on why now is the time to explore this new proposed business model, and what the next steps might be moving forward. Beth shared her concerns and addressed the concerns expressed by the board. PNGC has hired an outside consulting firm to do an analysis which will present their findings to the PNGC board. This information will also be available at the PNGC Annual Meeting.

Going forward, PNGC is looking to get decisions from their members following the annual meeting in October and then, if approved, start putting the pieces into place next year. The Annual meeting will consist of a meeting of all the co-ops who are PNGC members. CEO Beth Looney ended her remarks by thanking the Board for the opportunity to come and address them, and presenting the proposal.

LOWERVALLEY PRESENTATION – JIM WEBB

Jim Webb, General Manager/CEO of Lower Valley Energy addressed the FRREC Board of Directors. First showing the video of the recent outage at Teton Village and the work that was done. GM Webb shared that once he assessed the damage created by the storm, and realized the need for assistance, his first call was to Fall River and the other neighboring utilities. He noted that as he went to assess the damage he saw a line of Fall River and Idaho Falls power trucks in a line and mentioned it was as though the Calvary had arrived to save the day. Conditions were not favorable and calls had to be made in order for the crews to be allowed in through the Port of Idaho. Once the work began, snow slides closed all the roads into and out of the Jackson area. Jim went on to say the first estimate to complete the project and restore electricity was a week; the crews were able to get it completed by day three.

GM Webb extended his personal thank you and then proceeded to read a resolution of gratitude to Fall River Electric from the Lower Valley Energy Board. In addition Jim presented Fall River with a plaque of appreciation.

EXECUTIVE SESSION

Boyd Bowles made a motion to go into Executive Session. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

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

Ralph Burton made a motion to direct GM Bryan Case to move forward with the Chester litigation as outlined in Executive Session. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BOARD STRATEGIC PLANNING MEETING –

NRECA GOVERNANCE TRAINING- STRATEGIC PLANNING

Due to time constraints this topic was tabled until next month.

ANNUAL MEETING 2017 UPDATES –

NOMINATING COMMITTEE MINUTES – RECOMMENDATIONS-

GM Case gave summary of the Nominating Committee recommendations.

Attorney Jerry Rigby addressed the two issues of concern. There was discussion of how these two issues could be handled. The by-laws does not state anything that would disqualify the member in these two situations. Attorney Rigby and GM Case will contact nominated candidates to discuss whether this might affect their decision to pursue a board position.

FALL RIVER ANNUAL MEETING SCHEDULE AND AGENDA –

Included in the board packet for reference. Staff will be working on finalizing the schedule and agenda.

MEMBER GIFT –

Included in the board packet was a sample of what the member gift for the 2017 Annual Meeting would look like. This year it will be a 10” cast iron skillet imprinted with Fall River Electric on the bottom.

NWPPA ANNUAL MEETING VOTING DELEGATE –

Following a discussion on who would be attending, and could serve as the NWPPA voting delegate, **Brent Robson made a motion to nominate Doug Schmier as the NWPPA Voting Delegate. Jay Hanson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. GM Bryan Case will serve as the alternate.

DOUG SCHMIER NOMINATION – NWPPA BOARD OF DIRECTOR POSITION
Included in the board packet was the nomination information for President Doug Schmier for the Idaho board position on the NWPPA Board of Directors. The decision will be made at the NWPPA Annual Meeting, held May 7 -10, 2017.

MEMBERSHIP SURVEY 2017 – SUGGESTED QUESTIONS

Staff will be conducting a membership survey. GM Case reviewed a couple of the questions this might include. Gm Case encouraged board members to submit any additional questions they might be interested in including in the survey to him as soon as possible.

GENERAL POLICIES –

Policy Committee Chair Ralph Burton gave a brief recap of the Policy Committee activities and presented General Policies 615 “Social Media”; 608 “Compensation Administration”; 422 “Idle Services”; and 501 “Member and Public Relations”, all of which were included in the board packet, to the FRREC Board with a recommendation for approval.

Following a brief discussion of the changes or corrections made, **Ralph Burton moved to approve General Policies 615; 608; 422; and 501. Jay Hanson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

The Policy Committee will continue to meet and bring the next group of General Policies reviewed back to the full board at the board meeting in May.

FOR INFORMATION PURPOSES –

NRECA ANNUAL MEETING DISCUSSION –

Due to time constraints this topic was tabled until next month.

ICUA BOARD REPORT –

Due to time constraints this topic was tabled until next month.

PPC BOARD REPORT –

GM Case encouraged those attending the NRECA Legislative Conference to view the briefings before arriving at the Legislative Conference at the end of April. Those going to the conference will be meeting to discuss.

THANK YOU – FOREST SERVICE

Included in the board packet was a letter received from the Forest Service, extending their gratitude for the FRREC Island Park crew who helped with a medical rescue of one of their employees.

HYDRO OPERATIONS –

Staff reported Chester hydro is up and running. There was a lot of moss and debris to contend with, which has now slowed down. The rake appears to be working well so far.

Currently, the Chester plant is running two turbines, as water flows allow. Island Park has been running since the first of March, using the two small blowers to keep DO (dissolved oxygen) levels up. In the future, the DO will be posted on the website. Buffalo hydro is running with no problems; the new rake seems to be working well. Discussion ensued on water flows and what can be anticipated.

LOW IMPACT HYDRO INSTITUTE - CHESTER –

Included in the board packet was LIHI Certification for Chester Hydro. Staff is expecting the other hydros to be certified soon.

CYBER SECURITY – PHISING EXERCISE – RANSOM WARE

Due to time constraints this topic was tabled until next month.

LEGISLATIVE ISSUES –

Due to time constraints this topic was tabled until next month.

FEDERATED INSURANCE PREMIUM AND COVERAGE –

Due to time constraints this topic was tabled until next month.

2017 PATRONAGE CAPITAL DISCOUNT RATE –

Due to time constraints this topic was tabled until next month.

2017 FLASHES EDITORIAL CALENDAR

Due to time constraints this topic was tabled until next month.

MILLERS POND/SWAN SAFE UPDATE –

Due to time constraints this topic was tabled until next month.

REPORTS

BOARD COMMITTEES:

POLICY COMMITTEE - RALPH BURTON

The Policy Committee report was given earlier in the meeting. The next meeting will be held May 22, 2017 at 9:00 am.

MANAGEMENT REPORT:

The full report is included in the board packet. GM Case covered a few highlights, which included: working with city of Ashton and Blackfoot Communications to develop a better alternative to the local internet and telecom services; staff is continuing to work with Grand Targhee for onsite generation; and the recent New Managers Meeting with BPA was again successful, FRREC will host this meeting one more time in the October and then Stephen Boorman from the City of Cheney has agreed to assume organizing future events.

ADJOURNMENT

There being no further business, **Jay Hanson moved that the meeting be adjourned.**
Brent Robson seconded. By consensus, the meeting was adjourned at 4:15 p.m.

DATE APPROVED: April 17, 2017


Secretary, Dede Draper