

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

May 22, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, May 22, 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 10:02 a.m. Tina Warnke, Accounting Specialist, recorded the minutes. The invocation was given by Brent Robson.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Brent Robson, Jay Hanson, Ralph Burton, Boyd Bowles, and Ron Dye

DIRECTORS ABSENT

Dan Skene

OTHERS

General Manager (GM) Bryan Case, Accounting Specialist Tina Warnke, Member Services Manager Brand Hathaway, Engineering Manager Dave Peterson, and CFO Linden Barney. Also in attendance was Attorney Jerry Rigby.

Guest Candidates: Allen Smith, Nolan Doyle, Terry Kelley, Georg Behrens, and Del Fulmer. Each gave a brief introduction.

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

APPROVAL OF MINUTES

Following a review of the minutes for April 17, 2017, Jay Hanson made a motion to approve the minutes as corrected. Boyd Bowles 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. Clarification was given.
THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENT

Brent Robson talked about a brochure from Innovative Solar Concepts. These folks are looking for land to lease and place solar systems within Fall River's service territory.

A note of appreciation was shared with the Fall River board. The member was in awe at how fast the crew responded and how quickly his power was restored.

FINANCIAL AND STATISTICAL REPORTS

APRIL 2017 FINANCIAL REPORTS – Staff reported that FRREC experienced a loss of \$181,913 for the month of April which was in line with budget expectations and typical for this time of year. The loss includes the costs for repairs to the blowers at Island Park Hydro of approximately \$70,000 that were budgeted for in prior months and \$46,000 of unbudgeted repairs to Buffalo trash rake. Year-to-date profit is \$537,588 which is 51% higher than last year's actuals at this time and \$160,000 higher than the year-to-date budget. Controllable expenses are 3% under budget for the year.

CAPITAL BUDGET CHANGE - A slight change was requested on the Capital Budget. A request was made that the Megger/Digi-phone for the price of \$20,000 be upgraded to a Megger/Digi-phone capable of testing a 25 KV line for the price of \$36,900. **Boyd Bowles made a motion to change the budget to upgrade to a 25 KV unit. Jay Hanson seconded.** THE MOTION CARRIED BY UNANIMOUS VOTE.

PROPANE NOTE 10000 - With the success of the expansion to Star Valley and an increased number of new customers, the need for additional propane tanks has increased. A request was made to issue Fall River Enterprises, Inc. (Propane) a loan, LTD number 10000, in the amount of \$223,000. The loan will be used to finance propane tank purchases. Half of the tanks are expected to be used in the Legacy area and the other half will be used for new customers in the expansion area. **A motion was made by Jay Hanson to approve loan number 10000. Boyd Bowles seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

ANNUAL MEETING AGENDA – A discussion was held about the upcoming Annual meeting. Breakfast will begin at 8:00 a.m. for members. The board will have a short

meeting at 8:00 a.m. prior to the commencement of the annual membership meeting which starts at 10:00. The agenda for the day and the member meeting was reviewed.

BOARD STRATEGIC PLANNING – A reminder that board strategic planning will be held August 7-8 at a place yet to be determined.

WYOMING PUBLIC SERVICE COMMISSION- Fall River has submitted our Rules and Regulations to the Wyoming PSC as requested last September. They have been reviewed and the WYPSC responded with a document of suggested/requested changes. The changes were made and submitted and a conference call was held at the end of April to discuss the changes and any further issues that may exist. Three things remain in question that may need to be discussed at a public hearing with the Commission before we know the outcome. The issues are as follows:

1. The timing of our reimbursement payments to our net metering members who have generated more kWhs than they have used. Fall River currently pays out to members on the first of May, but the current Wyoming PSC requires excess generation to be paid out in January to comply with WYPSC rules.
2. The WYPSC has issues with the way the Cooperative handles security deposits for renters. They would like us to refund the deposit after 12 consecutive months of good standing for all accounts. Currently, we do that for owners, but we hold renters' deposits for the duration of their rental agreement/lease. Fall River does pay interest on deposits we hold.
3. Fall River holds property owners responsible for tenants' unpaid or delinquent balances. They disagree with this practice and feel that it will need to be changed.

The WYPSC also required the Cooperative to submit an Avoided Cost tariff. This spells out the amount the Cooperative pays/credits our members who have distributive generation and have excess kWhs accumulated at the end of April.

Staff will attend a conference call in June with the WYPSC.

Boyd Bowles made a motion to accept avoided cost tariff Jay Hansen seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BONNEVILLE POWER ADMINISTRATION SIGNIFICANT UPDATES- RATE CASE UPDATE

GM Case explained the initial proposed 2018-2019 BPA wholesale power and transmission rate increases. BPA's wholesale cost increase was recently set at 3.1%. BPA's recently-proposed wholesale power costs have increased to 6.1% due primarily to a new financial reserve policy, low natural gas prices and a low wholesale power market. In addition to the 6.1% wholesale power increase, there will also be an additional ~2% for a spill surcharge due to Judge Simmons recent ruling requiring additional spill. This estimate also does not include the potential financial cost recovery adjustment clause (CRAC) or the ~1% for newly proposed power financial reserve levels. If both the spill surcharge cost and financial CRAC were to come in 2018, the increase could potentially be ~9%.

GM Case talked briefly about a ruling by Judge Michael Simon. Judge Simon is ordering an increase in mandatory spill in the spring of 2018. This ruling could greatly affect power costs.

It was noted that Javier Fernandez, BPA's Chief Financial Officer, has been selected as the new vice president and CFO at Omaha Public Power District in Nebraska and will be leaving BPA.

GM Case shared the advantages of being a member of PNGC. In the new Presidential budget proposal, President Trump's budget proposes the privatization of BPA transmission assets.

CHESTER FUNDING UPDATE - GM Case informed the board that in 2015 Fall River received \$49,700.00 and in 2016 Fall River received \$33,800 in section 242 funding designed to incentivize building hydro-electric operations in existing dams. The programs and increased funding have been approved for 2016 generation.

HYDRO UPDATE - GM Case updated the board on each of Fall River's hydros. Island Park is running at 100% and the reservoir is approximately 1 foot from capacity. The blowers are operational and the dissolved oxygen levels are exceeding targets. We will soon have a website page dedicated to providing information on our hydro and river conditions. The page will have links to an Island Park camera as well as cameras at the Chester Hydro. This will enable members to see flows, stream temperature, dissolved oxygen levels, and access other information.

Chester set a record on production for April; it is generating ~2 megawatts. Only two turbines are currently running due to reduced water flows, and there was a sump pump problem that is being repaired.

Buffalo's rake is working well and production is near normal levels.

GENERAL POLICIES - The following policies were presented for approval:

GP 402 Rules and Regulations Consumer and Line Extension

GP 609 Reimbursement of Business Expenses

GP 304 Retail Rates

GP 315 Equity Management

Ralph Burton made a motion to approve the listed policies, Jay Hansen seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FRREC RESOLUTION #639-RESTATEMENT OF RETIREMENT-

GM Case explained this restatement needs approved on a 5 year basis.

Jay Hanson made a motion to approve Resolution #639. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NCSC VOTING DELEGATE - **Jay Hanson made a motion to nominate Ralph Burton as the NCSC Voting Delegate. Boyd Bowles seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

GENERAL MANAGER GOALS – A complete list of goals is included in the agenda. These goals are ongoing and progressing.

FALL RIVER COFFIN BUTTE RECS - GM Case reported that Portland General Electric is interested in purchasing Fall River's Coffin Butte RECs for \$1.00 per REC. The value to Fall River amounts to ~\$14K. Staff recommended Fall River keep the RECs to use for our green power program and to insure against the possibility that an Idaho or Federal mandate is instituted that requires a certain percentage of renewable energy. The value comes from being able to use them to meet federal guidelines if they are put in place.

MONTANA LEGISLATION SB 363C ZEBRA AND QUAGGA MUSSELS - GM Case explained that we will be billed \$11,127.26 for our part. This billing will be split over 8 quarters starting in the fall of 2017.

AUDIT ENGAGEMENT AGREEMENT EXPIRES - It has come to the end of our audit agreement with Decoria, Maichel, & Teague. Boyd Bowles, chairman of the finance committee, will assemble his committee and oversee a request for a proposal (RFP) process.

FELT HYDRO SETTLEMENT AGREEMENT - GM Case expressed appreciation to Jerry Rigby and Hyrum Erickson for their work on this. The agreement has been signed. Work will ensue transferring a Purchase of Power agreement. There are 30 days to assess and a 6-month timeline to get all needed licensing and rights transferred.

EXECUTIVE SESSION

Jay Hanson made a motion to go into Executive Session. Brent Robson seconded.

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

Boyd Bowles made a motion to go out of executive session. Brent Robson seconded.

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

FOR INFORMATION PURPOSES –

FACEBOOK 1,000 LIKES

Fall River reached 1,000 likes on Facebook. A report showed how Fall River's activity on Facebook compares to other utilities. While Fall River is a smaller cooperative, our engagement with members rivals much larger organizations. The Cooperative still has more work to do, but this is a great achievement.

HYDRO LIHI CERTIFICATION

The Chester and Buffalo certifications have been completed. Island Park has been held up partly because it's on a reservoir and Fall River Does not control the flow. We can get signatures affixed to a letter which will document support for Island Park's hydro operations from other NGOs and stakeholders.

DEMAND RESPONSE PROGRAM

The Demand Response Program from 2016 was successful. The program was able to reduce or shed 2MW in a 4-hour period. BPA is increasing the amount they fund in the program and Fall River will offer the program to irrigators again in 2017.

MEETING WITH IDAHO WATER USERS ASSOCIATION GROUP

This meeting will be held May 26th in Boise. Jerry Rigby and GM Case will attend. They are interested in researching concerns the Idaho Water Users Association has related to opening negotiations for the Columbia River Treaty.

NWPPA ANNUAL MEETING –

President Schmier has been inducted to the NWPPA board. President Schmier stated that it was enlightening to see what NWPPA does to protect and promote Northwest public utilities. He informed the board that energy trends are seeing slow growth because of conservation and distributive generation. Because of this, 83% of the industry is looking to change/increase their basic charge and many are considering residential demand rates.

GM Case was reelected to the NRECA board.

REPORTS

BOARD REPORTS:

Boyd Bowles reported on PNGC. He stated that the big thing is blended rates. At the PPC meeting, the Cal-ISO General Manager gave a presentation on expanding their ISO across the West. John Prescott reported on the energy imbalance market (EIM). John discussed the governance and a recent report that those participating in the EIM saved an average of \$172,000 per utility, per year in savings.

BOARD COMMITTEES:

Committee reports were given during the meeting. The finance committee will be meeting prior to the FRREC board meeting on June 19, 2017 at 9:00 a.m. The committee will review a proposed audit RFP and direct staff on how they would like to see the process go and who the request should be sent to.

MANAGEMENT REPORT:

The full report is included in the board packet.

ADJOURNMENT

There being no further business, **Doug Schmier moved that the meeting be adjourned. Brent Robson seconded.** By consensus, the meeting was adjourned at 3:30 p.m.

DATE APPROVED: June 19, 2017

Secretary, Dede Draper