

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

June 17, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Tuesday, June 17th, 2019, 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 CEO Bryan Case. The Pledge of Allegiance was recited.

The new Board members were welcomed, and CEO Case gave a debriefing report on the Annual Meeting. There were 895 people fed and 327 stayed for business meeting. Typically, we have 1,200 or more so turnout was low. It was a beautiful sunny day and that could be part of the attendance problem. The annual meeting went well, and several members expressed their appreciation for Fall River and our staff. We did have a missing Operations banner and a miscue on advertising for the chainsaw drawing. It was suggested that Past Board members and former employees should stand up to be recognized. Director Keay attended the safety demo and thought it was great. Director Draper loved the bags because they are large and reusable, she also liked greening up of the event. The online voting was robust.

President Schmier turned the floor over to Attorney Rigby to conduct officer elections. Attorney Rigby opened nominations for Board Officers. VP Robson nominated Doug Schmier for Board President, Director Behrens nominated Brent Robson. **Vice President Robson made a motion for nominations to cease.** A VOICE VOTE WAS AFFIRMED. THE MOTION CARRIED.

Attorney Rigby collected the written votes and declared Doug Schmier was reelected President of the Fall River Board of Directors.

Attorney Rigby called for nomination for Vice President. President Schmier then nominated Brent Robson and Director Behrens nominated Dede Draper. **Director Hanson made a motion for nominations to cease.** A VOICE VOTE WAS AFFIRMED. THE MOTION CARRIED.

Attorney Rigby collected the written votes and declared Brent Robson was reelected Vice President of the Fall River Board of Directors.

Attorney Rigby called for nomination for Secretary/Treasurer. Director Hanson nominated Director Behrens and he also nominated Husk Crowther. Director Keay nominated Dede Draper. Director Draper withdrew her nomination. **Director Hanson made a motion for nominations to cease.** A VOICE VOTE WAS AFFIRMED. THE MOTION CARRIED.

Attorney Rigby collected the written votes and declared a tie vote. The board voted again, and Attorney Rigby declared a tie again. By the flip of a coin, Brent "Husk" Crowther was elected Secretary/Treasurer of the Fall River Board of Directors.

ATTENDING OFFICERS

President Doug Schmier, Vice President Brent Robson, Secretary/Treasurer Husk Crowther, and Past President Jay Hanson

DIRECTORS PRESENT

Dede Draper, Georg Behrens, Jeff Keay, Anna Linstedt, and Jodi Stiehl (arrived after the Board Officer election.)

DIRECTORS ABSENT - NONE

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, CFO Linden Barney and Executive Assistant Joni Amen

APPROVAL OF AGENDA

Director Hanson made a motion to approve the Agenda. Vice President Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

Director Draper made a motion to accept and approve Expense Vouchers. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. President Schmier then thanked Director Draper for her service as Secretary/Treasurer and doing an excellent job.

APPROVAL OF MINUTES

Vice President Robson made a motion to approve the May 28th, 2019 Board Minutes as corrected. Director Keay seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Keay made a motion to approve the Consent Agenda. Vice President Robson seconded the motion which included, discounted patronage capital refunds report, check register, and safety report. The new memberships and purchase of power agreements were previously approved at the Board Meeting on June 15th. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Crowther had some questions regarding the 401k and the defined benefit program. Discussion on refunds to construction was also held. Fall River estimates the costs for construction and we only charge for the actual amount and if we have over charged a credit is issued back to the member. There was also discussion on how members can request payout of patronage capital when they leave the area. Financially, if the members want an early retirement on a discounted basis they can request it and the board will review it and if Fall River is financially able to pay it out, the payment is approved.

CEO Case reviewed the members vote to approve the proposed bylaw changes and as a formality the Board President and Secretary will sign the newly updated bylaws approved by the members. The changes and those changes went into effect on June 15, 2019.

COOPERATIVE REPORTS

Director Hanson reported CFC had a large margin last year and so as members, Fall River Electric will see a Patronage Capital check higher than normal. Some Cooperatives have asked CFC to use those dollars in an Integrity Fund. Some of that money has gone to help Cooperatives to defend lawsuits including takeovers or Capital Credit suits.

Director Crowther found an article he read recently about end of life of solar panels and electric vehicles batteries. It was interesting as there is an effort to figure out how to go

about recycling panels when they wear out. CEO Case said the Cooperative installed CFL light bulbs as part of our energy efficiency programs and offer a recycling program for them at each of our offices.

VP Robson reported that everyone he talked to was impressed with the Annual Meeting. He was amazed that staff had everything cleaned up by the time we finished with Board Meeting.

President Schmier said he was glad to have the Board Meeting recess by 8 a.m. so the Directors could get out and visit with members.

CEO Case asked for input from the new Directors. Director Lindstedt said she feels she can represent a younger group and would like to figure out how to get the younger families more involved. She said she knows it is a challenge to engage families to be involved. She is very interested in the numbers as well and can't wait to get into those.

Director Stiehl said the Annual Meeting was great. She noticed there were a lot of older folks and young folks and there didn't seem to be many middle-aged folks there. She is very excited to be here and is coming with an open mind and hopes to contribute to the Board.

President Schmier commented that there is a learning curve and the decisions made today will impact the future. Being a Director of the Cooperative is very critical in setting policy and the direction of the Cooperative.

MEMBER COMMENTS

Dr. Craig Bosley's comments were discussed. He was concerned of conflicts of interest.

Diana Thomas thanked the Board for the Scholarships and for participating in the awards ceremony for the students.

FINANCIAL & STATISTICAL REPORTS

MAY 30, 2019 FINANCIAL REPORTS

The Cooperative has net margins \$536K higher than the budget expectations from higher kWh sales mainly due to the cold wet spring. Labor costs are under budget by 83K and we are doing better on interest costs than anticipated. Long-term debt is being paid down and short-term cash reserves are being invested. One notable variance is the website rebuild, which was budgeted in the first quarter and that will not be completed until fall 2019.

The Capital budget includes carryover from last year including the Bates to Packsaddle project and using internal staff. The fiber optics is generating additional revenue with another vendor leasing dark fiber, and the additional revenues have increased by expanding Fall River's fiber backbone system. The marker balls will be finished after farming wraps up for the season.

Director Lindstedt asked how far out the Capital Budget is approved. CEO Case said we have the 20-year overall plan, then we have a 4-year detailed plan approved which is in turn included in annual capital budgets which are approved by the board.

CEO Case reported that BPA said that they will not have an increase in power and a 3% increase in transmission. Fall River staff and third party vendor will review a ten year financial forecast and a cost of service analysis. Staff will provide the board with

recommendations and the Board will review and discuss impacts to the Cooperative, members, review our competitiveness of the Cooperative rates and then make a decision on Fall River's retail rates.

Management is watching our growth of new services. CEO Case indicated he seeing early signs in the financial markets that there may be a recession or downturn coming up in 2020 or 2021.

VP Robson said that he has noticed some of the old subdivisions that were never built on are now showing signs of growth with new homes coming in. he said this is a good thing as we have had infrastructure installed in some of them for over a decade.

CEO Case explained the financial Form 7. The Cooperative has significant investments in capital costs which are depreciated or amortized over the life of the assets. CEO Case discussed equity targets set by the board, paying off long-term debt, and efforts to manage and reduce costs.

COOPERATIVE BUSINESS

NEW BOARD MEMBER ORIENTATION

Orientation for the new board members will occur in July if schedules permit. High level overview of the Cooperative business model, trends, and opportunities for the future.

POLICY UPDATES

Director Key made a motion to approve the updates to General Policy #302 Approved Depositories for Cooperative Funds (with corrections to the city listed on Key Bank), GP #303 Authorized Check Signatures, GP #307 Special Consumer Charges, GP #308 Collection of Unpaid Account and Bad Debt Reserve, GP #405.1 Easement-Distribution Lines, GP #405.2 Easement-Transmission Lines, GP #424 Multi Connections to One Meter, GP #317 Equal Payment Plan, GP #406 Relocation of Lines, GP #410 Joint Use or Occupancy of Line or Right-Of-Way, GP #411 Long Range Engineering Studies and Plans, and Four-Year Work Plans, GP #412 Emergency Assistance to Other Utilities, GP #419 Polychlorinated Biphenyls (PCB) as recommended by the Policy Committee. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FALL RIVER POWER MIX UPDATE

CEO Case discussed Fall River Electric's generation portfolio is essentially carbon-free with 97% carbon free power. CEO Case pointed out BPA's worst drought occurred in 1939 and if it reoccurred would provide 77% of Fall River's power needs. Coffin Butte, landfill gas generation owned by PNGC, is being sold on a PURPA agreement to Portland General Electric and Felt was brought back into Fall River in the Fall at 2017 and it is also sold under PURPA agreement to PacifiCorp.

CEO Case discussed the process of becoming exempt from rate regulation through the Wyoming Public Service Commission. Fall River and electric cooperatives are exempt from Idaho, Montana and now Wyoming Public Service Commissions. The Board elected by the members of the Cooperative are representatives of the members and therefore are responsible for rate regulation at the Cooperative.

Mr. Rigby reported that Ray Rigby's funeral will be Friday at 11:00. He will send the

obituary soon.

ANNUAL MEETING REVIEW

CEO Case reported on member questions from Annual Meeting. One was regarding the Easement under the lines becoming a dusty ATV trail and asked if there was anything, we could do about it. The answer is no, it is Forest Service controls the property and its access. Fall River has left trees or logs in the way to thwart use but people will cut up the logs and open the lines.

Another question was if a member had a tree close to the lines, could cut it themselves. Again, the answer was no, for safety reasons Fall River Electric will take care of a tree close to Fall River owned overhead lines.

Members suggested three years ago and again this year suggested runoff elections if a candidate doesn't secure 50% of the voting members given the large number of candidates. Other members who have many accounts felt they should have more than one vote, so some split up their accounts. They felt that we should have one vote for every meter. Attorney Rigby said that Cooperatives don't do allow one vote per meter or votes for just those candidates in a member's district as directors are charged to represent all members. Jeff Keay said he could anticipate some future discussion with folks on the issue. He is interested in the analysis of the votes per district. CEO Case stated that there will be a detailed report in the next Board Packet.

President Schmier said he had a member that asked if we could have our Annual Meeting in the Ashton office instead of moving it to Driggs. They felt it was a more central location.

The bucket truck rides went okay with no problems and CEO Case didn't hear any negative comments.

PROPOSED DATE AND PLACE FOR 2020 ANNUAL MEETING

Director Hanson made a motion to tentatively hold next year's Annual Meeting on June 13th, 2020 in Driggs High School. Director Crowther seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

It was also noted that the By-laws changes are effective as of the member's vote at the Annual Meeting June 15, 2019.

STRATEGIC PLANNING PRIMER

NRECA will be sending the Directors a survey on what the Board would like to spend their time talking about at the strategic planning meeting scheduled for August 26th and 27th. The survey will be going out next week. Topics of interest mentioned are Fall River's power mix, rates, EV, solar, batteries, nuclear- What is the trigger to decide, how to solicit sentiment on what the Members want on the power mix and rates, line and the maintenance service charge and a new name for it "access charge". CEO Case said he is working on a member survey.

EXECUTIVE SESSION

Vice President Robson made a motion to go into Executive Session at 11:30 am. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson made a motion to go out of Executive Session at 11:45 pm. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION

GREATER NW POWER NEAR SHORTFALL MARCH 2019 –The Idaho Falls Power Presentation was shown. The peaks were discussed during the day compared to the evening. Some points made are the renewable resources and when you need them and not being available. BPA had to go to the open market and Canada supplied a large amount of power on March 5th. Market volatility is a concern when the demand is high and capacity constrained. The incredible costs and demand response efforts were discussed.

LETTER TO CONGRESSMAN SIMPSON COMMENT OF THE 4 SNAKE RIVER DAMS. This letter went out to several agencies including BPA and Mr. Mainzer called Mr. Case and was well received. The Board expressed interest in a formal resolution to preserve the dams. Director Key was concerned about not having enough information to make a decision on the dams. CEO Case explained that the NOAA Scientists have studied the issue and are the recognized industry experts and they did not include dam breaching as an option in the current biological opinion.

GRAND TARGHEE – Crews located the underground faults at Grand Targhee and plans are in place to make repairs. The generator tests on automation of 1.5 MW generation was done. The generator wouldn't have worked on the last outage because the fault was beyond the substation.

Hydro Facilities Update

- Island Park is running at capacity and doing well. There is work yet to be done on aeration system. Dissolved oxygen is low in the reservoir which may make it difficult to maintain D.O.
- Buffalo is running well.
- Felt's Operating Statement was included in the packet. Staff is working through the licensing process with engineering conducting studies on fish. We are also counting individuals using the river, fishing and kayaking. Brent Robson express concern of the safety on rocks and slides on the canyon wall. The historical society is doing an inventory of the buildings and other infrastructure.
- Chester is running well; crews find that generation drops when all 3 turbines are fired up because of high water and crews are experimenting with when the right time might be that we can run them all at once.

Discussion on the storage levels in the reservoir was held.

SOLAR FOR SCHOOLS – Construction should begin soon.

WRITE OFF'S TO BAD DEBT report was provided.

FALL RIVER SUPPORT OF THE TIN CUP CHALLENGE spreads the money to other non-profits in the Valley.

ELECTRONIC BILLING AND PAYMENT MEMBER OPTIONS were discussed, and the benefits were presented.

SUMMARY OF CITIES CONSERVATION PROJECTS – CEO Case has been meeting with the Mayor's of each of the towns to catch up and most of those visits have resulted

in identifying several possible conservation projects. Jan Dean has been busy following up with those potential projects. A gravity fed water system was discussed. Lighting projects and sewage projects are in the works. There are low flow shower heads available and we are working to get hotels and apartments in West Yellowstone to participate. Jodi Stiehl asked why Island Park doesn't have any projects. CEO Case had met with the Mayor but Island Park doesn't have any facilities other than their office. The office is relatively new.

REPORTS

ENGINEERING & OPERATIONS, BRENT ROBSON

The meeting will be held in August. Director Behrens asked to hold the meeting late in the month.

POLICY COMMITTEE

The Policy Committee will be held on July 22nd at 9:00 a.m.

BOARD COMMITTEES were discussed. President Schmier asked the Directors to let him know of any interest anyone has in a committee assignment.

Attorney Rigby said that the Senator Crapo has purposed to split the 9th circuit. There has been a high turnover of judges. The circuit is too large, and it would be better to have a smaller, local circuit. He said that they have more cases overturned than any other.

CALENDAR

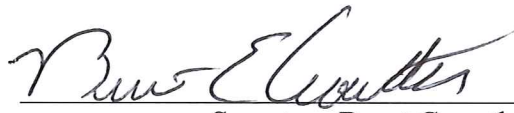
The photographer will be here on August 26th to take Board portraits.

CEO Case said that we have an annual ICUA meeting in July. Please let us know if new members would like to register and attend.

ADJOURNMENT

There being no further business, **Director Hanson moved that the meeting be adjourned. Vice President Robson seconded. BY CONSENSUS, THE MEETING WAS ADJOURNED AT 3:00 p.m.**

DATE APPROVED: July 22, 2019



Secretary Brent Crowther

