

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

July 24, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, July 24, 2017, 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 Jay Hanson. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Brent Robson, Jay Hanson, Dan Skene, Ralph Burton, Georg Behrens, and Ron Dye

DIRECTORS ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Joni Amen, Member Services Manager Brand Hathaway, Accounting Manager Linden Barney, also in attendance was Attorney Jerry Rigby.

The first order of business was the election of new Board Officers with Attorney Jerry Rigby officiating. Calling for nomination for Board President, **Brent Robson nominated Doug Schmier as President; Jay Hanson seconded. No other nominations were presented and THERE WAS A UNANIMOUS CONSENT VOTE CAST FOR DOUG SCHMIER TO CONTINUE AS PRESIDENT OF THE BOARD.**

Jay Hanson nominated Ralph Burton and Brent Robson for Vice President and Debbie Smith nominated Dede Draper. FOLLOWING A VOTE BY BALLOT THERE WAS A THREE-WAY TIE. ATTORNEY RIGBY CALLED FOR A NEW VOTE BY BALLOT. RALPH BURTON WAS ELECTED VICE PRESIDENT.

Attorney Rigby called for nominations for secretary/treasurer, Jay Hanson nominated Dede Draper and Brent Robson. FOLLOWING THE VOTE BY BALLOT, DEDE DRAPER WAS ELECTED SECRETARY/TREASURER FOR THE BOARD.

APPROVAL OF AGENDA

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

EXPENSE VOUCHERS

Secretary Dede Draper made a motion to approve the expense vouchers submitted for payment. Director Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

Following a review of the minutes for June 19th, 2017, Director Brent Robson made a motion to approve the minutes as corrected. Director Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

Following a review of the minutes for June 24th, 2017, Director Jay Hanson made a motion to approve the minutes as corrected. Director Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

The Annual Meeting minutes were discussed and corrections were requested and made. They will be presented for approval at the next Annual Meeting of the Members, planned for June 16, 2018

CONSENT AGENDA

Director Jay Hanson made a motion to approve the consent agenda. Director Brent Robson seconded. The motion included Memberships, Purchase of Power Agreements, check reports, vouchers, safety reports, and patronage credit reports. GM Case explained that a request for an increase of early retirement of patronage capital is included later on the board agenda. THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENT

GM Case reported that there was a request for an Osprey nest perch. It is not close to Fall River facilities. He said Operations Manager Trent Yancey gave the member a quote to purchase and install a pole. He explained that Fall River has an extensive avian protection plan, but that FR was not interested in having members bear the costs of this particular project. FR would be glad to install the perch at cost for the member if they wanted to pay for it.

Director Debbie Smith reported that she was approached by a couple of the ladies involved with the contractor accident in Driggs who were concerned about the line that was knocked down. GM Case reported on the incident and relayed the details of the event. The contractor called the office admitting their excavator had knocked down a power line. Fall River crews were dispatched immediately and arrived on the scene within 15 minutes. GM Case praised the fast-acting emergency response crews, specifically the Fire Chief. The Teton County Dispatch personnel also did a great job given the seriousness of the situation. The contractor should have notified Fall River they

were working in the vicinity of our lines and FR would have switched the recloser to one shot operation which would have significantly reduced the danger.

GM Case reported that there have been several electrical blinks in the Basin over the last month. Most of the incidents have a known cause (osprey dropping sticks in the line, lightning, or noted storms). A review of detailed substation records showed that the system is operating as intended, preventing long-term, wide-spread outages. However, a few members have called in to express concern and their frustration with resetting clocks. Staff has prepared an explanation which is to go out to the local papers.

FINANCIAL AND STATISTICAL REPORTS

MAY 31, 2017 FINANCIAL REPORTS – Staff reported net margins year-to-date through June 30th was 12.2% better than expected, or \$246,858 more than the budgeted margins for the same period. The majority of the excess is due to colder than normal weather from January through May which resulted in higher KWH sales than previously forecasted. Power costs are up due to increased power usage, but not as much as revenue (2.3% vs 4.1%) given the higher amount of fixed wholesale power costs.

Labor costs were higher due to the outages experienced earlier in the year as well as the help we sent over to Lower Valley Energy. However, the cost to assist Lower Valley has been repaid by Lower Valley. Staff conducted the member survey internally which saved money.

During a discussion on cash flow, it was indicated that the \$4 million borrowed for Felt is in an interest-bearing escrow account. The equity ratio is 37.3%.

The Cooperative is operating under budget on controllable expenses through June.

Dede Draper made a motion to approve the Financial Reports; Jay Hanson seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

BOARD COMMITTEE ASSIGNMENTS were handed out and discussed by President Schmier.

ANNUAL MEMBER MEETING: GM Case provided a summary of Fall River's 2017 Annual Member Meeting. It was noted that the candidates' video views were higher than anticipated. Overall, the board and management noted the successes of the annual meeting, specifically its high attendance (over 1,000 people). The business meeting was well-attended and the members' engagement in director elections was high.

The board's perspective on successes and needed improvements identified one item of concern- the Rocky Mountain power outage was inopportune! The staff discussed backup plans.

The board and management discussed the safety demo and shared ideas on how to increase member participation. Director Brent Robson felt that the safety demo was one of the highlights of the meeting.

Next year's annual meeting will celebrate the Cooperative's 80th anniversary. Staff provided a recommendation to the Board. **Director Jay Hanson so moved and Director Dan Skene seconded the motion to hold the meeting in Driggs on June 16, 2018 at the Teton High School. ALL IN FAVOR; MOTION CARRIED.**

Board elections will include Districts 1, 6 and 7. Director Dan Skene will be at the end of his term limits. The annual meeting budget was discussed. Director Hanson said it was very nice having the help of the scholarship recipients.

GM Case reported that there is \$1,000 set aside to use for an additional scholarship to be given out at the annual meeting. He would like to encourage younger folks to come to the meeting and be involved. Director Behrens asked how the scholarship worked and GM Case explained the process. Previous members' unclaimed patronage capital is used to fund scholarship awards.

GM Case went over the members' questions that were submitted at the annual meeting and prepared responses. There were only three member questions and one was more of a statement of praise to the Fall River staff. The board discussed the Fall River responses. The voting summary, SBS Report, and other information on the meeting was included in the board packet.

STRATEGIC PLANNING AGENDA

GM Case presented the proposed strategic planning agenda to the board. President Schmier sought the board's suggestions for the agenda. Director Robson asked that we talk about the Felt Hydro and how it fits into Fall River's generation portfolio.

PROPANE ACTIVITIES AND STRATEGIC DIRECTION

Staff gave a financial report explaining the margins. CFO Linden Barney said we are within budget expectations for 2017. Expansion efforts in Star Valley are progressing and exceeding expectations for number of customers and number of gallons. Staff is working to keep cost of employment within financial targets. Competition is fierce in the expansion area. In the Legacy area, Fall River Propane continues to be the propane leader. Director Dan Skene reported on propane activities and a desire from the propane board to get direction from the electric board on expectations. Five years ago, Fall River Electric provided Propane a list of expectations. Those expectations were reviewed. Propane will report additional information on financials in August.

Director Skene reported Propane is ahead of projections on gallons delivered in Star Valley. There are a lot of propane companies competing for the business. Propane will be conducting a market share study to determine where Fall River propane stands competitively in the expansion area. A market survey conducted in the Legacy service territory showed Fall River Propane has 48% of the market share and the next competing propane provider, V-1, only holds 21% of the market. GM Case discussed the strategy of safety, service, and competitive price. Competitors are mimicking Fall River's strategy but don't provide the safety or service they suggest they do. Members typically come back to Fall River once they are taken advantage of in price or don't get the service they need. Fall River Propane has continued to grow by around 10% per year in customers. Gallons sold increased by nearly 17% in 2016. Due to the rapid growth, additional staff

have been added to keep up with the expansion. The added staff and lower gross margins resulted in a larger loss last year than hoped for, but staff is making adjustments and expects to operate near budget expectations this year.

BOARD CULTURE

GM Case presented the board culture statement that was developed in 2014 for review. The board suggested those statement be placed in the board room and with Joni's help, the board culture statement is now framed on the wall. Attorney Rigby recommended it be reviewed before the strategic planning meeting.

FELT HYDRO

GM Case reported the Felt Hydro Project is progressing. The FERC license is in Fall River's name and the water rights are also in the Cooperative's name. GM Case stated that the inspection report from Ted Sorenson was reviewed and his report states the plant is in good working order. CDM contractors reported that during the normal inspection process of a transformer they found one bushing that needed replacement and CDM is making those repairs. GM Case also reported that progress is being made on the assumption of the purchase power agreement with the help of Attorney Jerry Rigby and his staff.

ADOPTION AGREEMENT FOR RESTATEMENT OF R&S AND 401K PLANS

Adoption agreement for restatement of R&S and 401k plans with no change to our current plan.

Vice President Ralph Burton made a motion to approve the Adoption Agreement for Restatement of the R&S and 401k Plans. Director Jay Hanson seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.

GENERAL POLICIES FOR REVIEW AND APPROVAL:

The Policy Committee recommended that the board approve General Policy #612 "Employee Housing Incentive Pay," with minor changes. The board discussed. **Vice President Ralph Burton made a motion to approve and Director Dan Skene seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.**

The Policy Committee recommended that the board approve General Policy #415 "Use of Cooperative Tools, Equipment, and Facilities," with the change of taking out parentheses and correct a word. After discussion by the board, **Director Dan Skene made a motion to approve and Director Jay Hanson seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.**

The Policy Committee recommended that the board approve General Policy #417 "Personal Protective Equipment and Flame-Resistant Clothing," with a minor change to one word. **Director Dan Skene made a motion to approve and Director Jay Hanson seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.**

The Policy Committee recommended that the board approve General Policy #613 "Use of Cellular Telephones and Other Electronic Equipment," with a change of wording. Attorney Rigby suggested adding the term "notwithstanding." **Director Dan Skene**

made a motion to approve with the revisions recommended and Director Jay Hanson seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVED BUDGET FOR EARLY RETIREMENT OF PATRONAGE CAPITAL
Staff requested to increase the early retirement of patronage capital budget from \$75,000 to \$100,000. As noted in the consent agenda, we have exhausted the budgeted amount.

Director Jay Hanson made a motion to increase the early retirement of Patronage Capital from \$75,000 to \$100,000. Director Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXECUTIVE SESSION

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

MANAGEMENT DISCUSSION ITEMS –

ECLIPSE PLANNING FOR AUGUST 21ST – Solar Eclipse glasses were handed out to the board and the discussion included power outage concerns. GM Case reported that BPA has a helicopter stationed in Idaho Falls in case of emergency. He said Fall River will be fully staffed. It is anticipated that the highways will be full and cell service will be at full capacity with some outages expected. The outside crews will be using the radio system for communications. It is important that we all be personally prepared. GM Case recommended to keep gas tank levels full, lock up, buy groceries and water early, ensure prescriptions are filled, and drive defensively or stay off the roads if possible.

BOARD CONTACT INFORMATION was reviewed and with final updates, it was determined that it is ready to be e-mailed out to everyone.

4H LIVESTOCK AUCTIONS will be supported by Fall River Propane. This will give them a marketing advantage. Teton County sale is Friday, August 11th at 6 p.m. and the Fremont County sale is August 12th at noon. Propane will also participate in the Teton County, Wyoming Fair and the Lincoln County Fair.

NRECA congratulations letter, the CFC Board Report, The NCSC Board Report and the ID Water Users Association thank you letter were all included in the board packet.

ICUA YOUTH RALLY SUMMARY was delivered by GM Case. He reported that we give a \$500 scholarship to each participant and Member Service Manager Brand Hathaway acts as chaperone. GM Case also spoke at the Youth Rally on the history of the electric cooperative movement and NRECA's role. He encouraged the youth to consider occupations in the electric cooperative field.

2017 WORK PLAN AND GOAL PROGRESS REPORTS were included in the packet. GM Case commented that there is significant progress being made for the year. The board and GM Case discussed a few areas where the Cooperative may not make their outlined objectives. The board was pleased with the progress and complemented staff on the good work they were accomplishing.

Cooperative goals for 2017 were also reviewed by GM Case. The vast majority of the goals are on track to be completed by the end of 2017. The Board and GM Case discussed those goals that may not be met by year end. Director Ron Dye said that the crews have been so courteous and are so conscientious and he was very impressed.

REPORTS

BOARD REPORTS:

Secretary Draper said that she would like to move this agenda item up earlier in the day so that the board is fresh for it. Discussion on moving Board Reports to the beginning of the agenda resulted in the decision to try it. Attorney Rigby commented that they have moved the committee reports to the beginning on a State Board he serves on. He said it is a great idea.

BOARD COMMITTEES:

ATTORNEY RIGBY REPORT: He had nothing more to report.

MANAGEMENT REPORT: Was included in the packet.

Secretary Draper commented that she was very impressed with Beth Looney's presentation. Director Skene was a little bit concerned that people didn't understand the low energy prices and higher rates issue.

It was noted that the MECA Annual Meeting is scheduled for October 3rd and 4th.

Director Dye said this is the first time that he can remember the reservoirs being full at this time of year. He also said that he enjoyed the annual meeting. He thanked staff again for the great work.

Director Behrens said he was very happy to be here and thought Fall River to be very professional.

Director Hanson said that he had concerns about the value of BPA's participation at the ICUA annual meeting.

Director Robson was very pleased with the staff and said that they are wonderful to work with.

Vice President Burton said he was very impressed with the annual meeting and the Fall River staff. He also said the presentations given by BPA at the ICUA meeting seemed canned and didn't add much to ICUA's annual meeting.

Secretary Draper said that the ICUA golf tournament was fun. She liked the presentations too, although she felt that the BPA attorney stifled the conversation on all BPA items. She liked the round table portion very much.

GM Case said that as the board president of ICUA, he would take back the FRE board's comments on the ICUA Annual Meeting and would pass on the successes of the meeting. He had already discussed with the ICUA Annual Meeting Committee suggested changes to the program, including changing the ACRE auction.

Attorney Rigby said that the reset issue on the water reservoirs is a big issue. There is litigation when there is too much water as well as when there is not enough. We store water high in the system in case it must be released down the river later. The Island Park survey on the water levels in the Reservoir was returned. If it raises a foot it will affect one cabin. The higher it gets, the more cabins it will affect.

ADJOURNMENT

There being no further business, **Director Jay Hanson moved that the meeting be adjourned. Director Brent Robson seconded.** By consensus, the meeting was adjourned at 3:00 p.m.

DATE APPROVED: August 28, 2017


Secretary, Dede Draper