

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

August 22, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, August 22, 2016, at the main office of Fall River Rural Electric in Ashton, Idaho. Having determined that a quorum was present, President Doug Schmier called the meeting to order at 10:02 a.m. Executive Assistant Cathy Meeks recorded the minutes. The invocation was given by Ralph Burton.

ATTENDING
OFFICERS

President Doug Schmier, Vice-President Debbie Smith, Secretary/Treasurer Dede Draper, and Immediate Past President Jay Hanson

DIRECTORS
PRESENT

Boyd Bowles, Brent Robson, Dan Skene, Ralph Burton and Ron Dye

DIRECTORS
ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, CFO Linden Barney, Operations Manager Trent Yancey and Engineering Manager Dave Peterson

Also attending, Jerry Rigby, Attorney and Russell Green, CFC.

APPROVAL OF
AGENDA

GM Case asked to add the CFC Voting Delegate under Cooperative Business.

Jay Hanson made a motion to approve the Agenda as adjusted. 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

MINUTES OF JULY 25, 2016 BOARD MEETING

Following a review of the minutes for July 25, 2016, Boyd Bowles made a motion to approve the minutes. Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

After review, Jay Hanson made a motion to approve the consent agenda which included the correct check register for July 31, 2016 that GM Case had distributed. Brent Robson seconded the motion, which included the memberships, purchase of power agreements, check report, vouchers, safety report, and capital credit report. Following discussion and hearing no objections, THE MOTION CARRIED BY UNANIMOUS CONSENT.

MEMBER COMMENT

GM Case distributed emails that were received from a few members over the last two days concerning Millers Pond and FRREC's contribution. The recommendation is to reduce the estimated project costs by \$10,172 and contribute \$3,000 for marketing and PR and move forward with the project once the funding target of \$57,800 is raised. GM Case reviewed some of the items complicating the Miller's Pond project. The road has conduit under this section due to water seepage beneath the road; an overhead transformer will need to be replaced by a pad mount transformer, adding to the costs; the job will require two road bores. However, the project can be accomplished. Following some discussion, the board was in agreement to proceed as planned. Jay Hanson requested a summary of the expected costs and Fall River's contributions to be provided to the board.

FINANCIAL AND STATISTICAL REPORTS

JULY 31, 2016 FINANCIAL REPORTS –

Staff reviewed the financial report. YTD net margins exceed budget margins through July 2016. Labor being charged to work orders as new services are up, which is resulting in more labor being capitalized versus being expensed. Interest expense is under budget due to repriced debt and not needing as much anticipated long term debt for loans to FRE for propane expansion into Star Valley. Legal and flow testing costs related to lost revenue for Chester Hydro have been deferred. Controllable expenses are under budget by 9.6% primarily due to reduced staff. YTD FRREC has spent 43% of the Capital budget. Staff gave clarification on labor allocation. A request was made for a list of infrastructure

investments over the past 10 years. GM Case reviewed projects completed for the year. A few capital projects will get carried over into the 2016 calendar year. GM Case expanded on the capital budget and gave clarification on the Sawtelle project.

FALL RIVER ENTERPRISES LOAN –

Staff summarized the request from Fall River Enterprises for a loan for a delivery truck replacement. **Jay Hanson made a motion to extend a loan to FRE in the amount of \$138,978.72, with the amortization as set forth until 2023, for the purchase of a delivery truck. Boyd Bowles seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

STRATEGIC TOPICS –

KRTA – RUSSELL GREEN, CFC

GM Case introduced Russel Green (Russ), the new CFC account representative, giving some background and highlighting his extensive experience in the cooperative world. Russ followed up with some additional background information on CFC, what services they provide to their utility members, and how we work together to gain financial strength. After explaining how the KRTA information could be used, Russ reviewed the national trends and then gave some overview of a few key ratios. The information in the KRTA was sourced from Form 7, compiling data from approximately 800 electric cooperative utilities, with 145 ratios calculated.

Out of the 145 ratios calculated, the first 5 are key data drivers; meaning if the first 5 drivers are changed in anyway, it will impact the rest of the data. The board could use this information to know where the industry trends are moving and for strategic planning. Staff uses the KRTA similarly (for trends and strategic planning) but it could also be used to share with the members how well the co-op is doing. Generally, the ratios do trend, with KRTA giving the industry perspective on where revenue is coming from and what drives costs. Russ encouraged the directors to use the information to be more informed. Clarification was given on which is the best survey grouping to compare to: state, nationally, power supplier, or the same size utility. The importance of looking at the total picture was emphasized; one could get a skewed perception if they just looked at one specific ratio and not take into account other factors.

CLIMATE CHANGE

GM Case gave a brief summary of the documentary included in the board packet on climate change, along with giving FRREC's involvement on environmental efforts.

ALTERNATE ENERGY FUTURES & FALL RIVER STRATEGIES

GM Case gave an explanation of a board strategic planning exercise, looking toward 2028. Members of the management team participated in the exercise with the board, strategically looking forward to the next 10 years. The board discussed what steps Fall River needs to take today to be prepared for possible futures.

CONSOLIDATION DISCUSSION – MOU

GM Case gave an update relaying preparations for the joint meeting between Lower Valley and Fall River with Ted Case and Jim Webb. The top three issues to be discussed include the timing of implementation and equal say during the process, CEO transition, and the process to determine the headquarters. GM Case will update the MOU to include the E3 study, taking out the PNGC paragraph, and update assigned costs. Discussion ensued on some of the concerns and the process of going forward. If the two Cooperatives can agree on a MOU, then the proposal to consolidate the two Cooperatives will be taken to the members for a vote. To make the best use of time and resources, both boards would only come together following a successful vote by the members, deciding together the location of headquarters, size of the board, etc., with the MOU outlining the process of going forward. Following the September 7, 2016 meeting, the three main topics of concern in the MOU being answered, the direction of moving forward or not will be determined. GM Case outlined the agenda for the September 7th meeting, with some discussion of what the expectations are and the outcome the board would like to see from the meeting. GM Case will make the changes discussed and distribute the MOU to the board. GM Case will then send to LV and Ted Case prior to the September meeting.

TALKING POINTS –

Included in the board packet for reference.

ACRE CONTRIBUTIONS –

GM Case encouraged the board and management to be at 100% participation. ACRE contribution forms were included in the board packet.

FALL RIVER ENTERPRISES – PROPANE

UPDATE ON EXPANSION, BUDGET AND LTD –

GM Case gave a brief update on Fall River Enterprises, reviewed the budget which showed the allocation to expansion efforts or to legacy operations. Propane has experienced an increase of 4% in the number of gallons sold for the year, and an 11% increase in its customers.

NEW EMPLOYEE

Darren Haderlie has been hired for propane operations in the Star Valley area and comes with previous experience. GM Case expanded on the hiring process.

NEW BOARD MEMBER

The new propane board member representing the Island Park area is David Moore.

BILL WEINMAN DEVELOPMENT UPDATE –

GM Case gave an update on commercial development. City of Cokeville has also made contact and wants to bring a propane distribution system into the town.

OPEN HOUSE –

The FRE Open House in Etna went well; nine new customers signed up with many more receiving the information.

SUMMER FILL –

The summer fill event is currently in progress, with propane priced at \$1.04 per gallon for 200+ gallons. Other propane providers in the area have planned for this, holding their summer fill earlier at the first part of summer. The number of gallons sold in August will reflect this. FRE will stay focused on providing exceptional customer service, great propane prices, and safety.

HYDRO OPERATIONS UPDATE

BUFFALO TRASH RAKE

Staff gave a summary of the rake removal on the Buffalo hydro facility. The hydro is currently down without the rake, but will be up and running as soon as it is repaired and returned.

ISLAND PARK BLOWERS –

Staff reviewed the replacement of the control panels at Island Park. With the new controls, alarms can be managed remotely and some fail safe measures are in place. Staff gave clarification following some discussion on the proper procedure should the power go out. Staff reported the transition from having a third party vendor manage the facility to managing plant operations with Fall River staff was going well. Many of the concerns Fall River saw are being addressed and have improved. The smaller blower has been put in place and the large blower for the aeration basin will be ready next spring. Discussion ensued on communication efforts that will be put in place with the 2017 Work Plan.

CHESTER PRODUCTION AND RAKE –

Chester hydro is up and running, and the rake has been able to keep up with the moss. Chester is on a record pace and will likely generate more Kwh's this year than any other year.

S.E. IDAHO OUTAGE, JULY 19 UPDATE –

Staff will be participating in a conference call on Tuesday, August 23rd, for a PAC Outage Report for the Goshen outage that occurred on July 19th. GM Case will follow-up with a report at the next board meeting.

RETAIL RATE COMPARISON MECA SURVEY –

Fall River participated in a retail rate survey and the board and staff went over the results of the data. Fall River's rates were lower compared to most other electric utilities. Fall River's Line and System maintenance charge for each rate class was compared and it was noted that the median charge was \$30 for residential rates, compared to Fall River's \$36

per month. It was also noted Fall River's kwh cost was lower than the median for the survey group. The board and staff reviewed each retail rate class and noted Fall River was very competitive in its rates.

GENERAL POLICY 420 "COOPERATIVE PURCHASE AND WHEELING OF POWER AND ENERGY FROM SMALL POWER PRODUCERS AND CO-GENERATORS."

The board reviewed general policy 420 "COOPERATIVE PURCHASE AND WHEELING OF POWER AND ENERGY FROM SMALL POWER PRODUCERS AND CO-GENERATORS." and determined the policy to be satisfactory. Therefore, no changes were suggested at this time.

PRC DISSOLUTION CREDIT – SETTLEMENT WITH FALL RIVER FOR THE SALE OF ASSETS -

The Cooperative reviewed the selling of the assets contained in PRC and discussed the settlement and timing of the payout of funds.

BOARD PRESIDENT COMPENSATION – RALPH BURTON

Due to time constraints, this item will be carried over for discussion in September.

SERVING OUR COMMUNITIES -

Brent McRae will be including in his President's report at MECA's 55th Annual Meeting highlights of Cooperatives' involvement in Cooperative Principle #7, Concern for the Community. His request was for members of MECA to submit information on the community projects that cooperatives are involved in. Included in the Board Packet is the document FRREC put together, highlighting a few of the community events the cooperative is involved in. The involvement ranges from the Scholarship program to fund raising efforts and the local County Fairs.

CFC VOTING DELEGATE –

Following some discussion of who would be attending, **Boyd Bowles made a motion for Jay Hanson to serve as the CFC Voting Delegate and Brent Robson as the Alternate. Ralph Burton seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

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.

Jay Hanson made a motion to go out of executive session. Debbie Smith seconded.

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

FOR INFORMATION PURPOSES –

2016 WORK PLAN AND GOALS –

Included in the board packet was a copy of the 2016 Work Plan and Goals. GM Case provided a review that showed most of the goals have been met or are on track. GM Case clarified the changes in red, with some projects carrying over to next year.

MANAGEMENT STRATEGIC PLANNING MATERIAL –

GM Case summarized a few of the projects staff had outlined at their strategic planning meeting. GM Case requested direction from the Board on how aggressive they wanted to be on solar. There was discussion on what direction to go, whether to partner with existing companies, explore the viability of a Community Solar Garden, and/or make contributions to help local schools with solar projects to reduce power costs. The Board also discussed updating a member survey to assess the interest of Fall River members and the support that it would receive. Other strategic items included getting the work order requests automated, get hydro information posted on the website for key players and river guides to access, and get more virtual servers installed. Other opportunities were suggested to provide value to members, create revenue streams, and reduce costs.

NORTHWEST RIVER PARTNERS”DROPLETS” –

Documents included in the Board Packet for informational purposes.

TETON – & FREMONT COUNTY 4-H RECAP –

Included in the board packet was documentation on the 4-H County Fair Auction participation by Fall River Electric and Fall River Propane.

NEW MANAGERS MEETING WITH ELLIOT MAINZER –

The fall New Managers Meeting with BPA Administrator Elliot Mainzer is tentatively scheduled for November. BPA’s rate case and Focus 2028 will be discussed with BPA’s administrator.

MARATHON HOT WATER HEATERS – FRREC NO LONGER SELLING

FRREC will no longer be selling Marathon hot water heaters. There was not enough interest in the water heaters and members could find similar products locally.

COLUMBIA RIVER TREATY LETTER TO JOHN KERRY –

Included in the board packet was a copy of the letter sent to Secretary of State, John Kerry by Members of Congress. GM Case reported they are trying to apply a little more pressure to get the process moving.

WYOMING PSC UPDATED REGULATIONS FOR ELECTRIC AND GAS UTILITIES –

Documents were included in the Board Packet for informational purposes. This will require Fall River to update its Wyoming Rules and Regulations. Some of Wyoming PSC changes will require changes to Fall River’s policies.

LETTERS TO BPA ON WHOLESALE POWER INCREASES –

Included in the board packet were copies of the letters sent to BPA from GM Case and Jay Hanson regarding the proposed wholesale power rate increases.

REPORTS

MANAGEMENT REPORT:

GM Case gave a summary of the management report, which was included in the board packet.

President Schmier reviewed the calendar of events, highlighting ones that board members would need to attend.

ADJOURNMENT

There being no further business, **Brent Robson moved that the meeting be adjourned. Jay Hanson seconded.** By consensus, the meeting was adjourned at 4:36 p.m.

DATE APPROVED: ___ September 19, 2016 ___


Secretary, Dede Draper