

MINUTES OF THE BOARD MEETING
OF THE BOARD OF DIRECTORS
OF
FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.
September 25, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, September 25, 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 10:10 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by President Doug Schmier. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Doug Schmier and Secretary/Treasurer Dede Draper. Vice-President Ralph Burton attended by teleconference

DIRECTORS PRESENT

Brent Robson, Jay Hanson, Debbie Smith, Georg Behrens, and Ron Dye

DIRECTORS ABSENT

Dan Skene was excused for a funeral.

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Joni Amen, Member Services Manager Brand Hathaway, Accounting Manager Linden Barney, Operations Manager Trent Yancey, Line Foreman Tim Jenkins, Member Services Rep Noelle Hansen, EES Consultant Anna Falcon. Also in attendance was Attorney Jerry Rigby.

APPROVAL OF AGENDA

GM Case requested that the Columbia River Treaty Idaho White Paper be added to the agenda as well as a recent award to President Doug Schmier from NRECA for Certification of the Director Gold Program. The board Draft budget will also be reviewed.

Director Jay Hanson made a motion to approve the Agenda with the afore mentioned additions. Director Georg Behrens 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 August 28th, 2017, Director Jay Hanson made a motion to approve the minutes. Director Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Following a review of the Finance Committee Minutes for August 28th, 2017, Director Jay Hanson made a motion to approve the minutes. Director Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Following a review of the Engineering and Operations Committee Minutes for August 28th, 2017, Director Brent Robson made a motion to approve the minutes. Director Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Jay Hanson made a motion to approve the consent agenda. Director Brent Robson seconded the motion, which included Memberships, Purchase of Power Agreements, check reports, safety reports, and discounted patronage capital refunds report. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BOARD REPORTS

Director Jay Hanson reported that he attended the Member Appreciation Luncheon in West Yellowstone, which he enjoyed. He will be leaving for several association meetings tomorrow.

Director Dede Draper recently attended the ICUA board meeting which included a Strategic Planning session. She reported IUCA went over potential 2018 legislative items of concern including adding fiber to utility easements, implementation of a 5-year deadline for tracking capital credits, and submersible water pumps being exempt from liability for stray voltage. Dede is going to the PNGC annual meeting and the Denver Reginal NRECA meeting.

President Schmier attended the NWPPA Annual Meeting where they discussed waters of the US. NWPPA will not be increasing dues. He said an interesting thing that happened was when they came out of executive session and made a motion before staff returned. Concern was voiced at that time, so they reconfirmed the motion. Attorney Rigby stated that it was valid; you should wait until folks who should be there or want to be there, are given a reasonable opportunity and time to return to the meeting place and be in attendance for the vote.

President Schmier reported that those attending NRECA Region 7 and 9 are GM Case, Directors Hanson, Draper, Robson, and President Schmier. He will also be attending MECA's Annual Meeting.

MEMBER COMMENT

Director Georg Behrens had a discussion with a neighbor about electrical charging stations. He said they are building a large hotel and parking lot in Victor. His neighbor thinks it would be a great place for a charging station. This person is on the city planning

committee. GM Case stated that they have penciled it out in the past and there would be no financial payback to the Cooperative. Director Behrens suggested the board consider combining an electric charging station with the Solar Station at the Schools to be used for educational purposes. GM Case said that usually a municipality or business pays for installation as the cost is over 15k and would be a benefit for tax payers or encourage patrons to shop at a business.

GM Case reported that there were lots of members attending the West Yellowstone Member Appreciation Day lunch in West Yellowstone. Fall River fed approximately 320 people, gave out 160 cutting boards, and 106 low-flow showerheads for conservation. The event was a success. Immediately following the West Yellowstone event, GM Case, JT Hill, Ted Austin and other propane staff headed to Star Valley, WY for Propane's Tailgate party in conjunction with Star Valley High School's football game. That evening, for Fall River Propane's promotion, they fed approximately 720 people hamburgers, secured new propane customers, and many expressed their appreciation.

FINANCIAL AND STATISTICAL REPORTS

AUGUST 31, 2017 FINANCIAL REPORTS – Staff reported net margins through August 31st are \$974,164 better than budget. The main driver for the increased margin continues to be increased kWh sales, mainly due to the cold winter. kWh sales year-to-date are the highest since 2008. Labor and overhead are over budget but will be in line with budgets by the end of the year and were the result of a few large outages early in the year. Other significant variances include paying less than expected for consultants on the natural gas study and the membership survey. Cash flows for August include \$617k spent on plant and \$347k of principal payment on long term debt (CFC).

We are under budget overall by 2.3%. Fall River paid down a Farmer Mac debt. GM Case added that we expect the cooperative to have a good year and come in under budget. We are logging a generation production record at the Cooperative's hydro facilities. We've also had a good construction year. The COSA shows growth of 2% which is helping the overall financials of Fall River. Aid to construction is up significantly due to the addition of new services. The change in this policy was the primary driver for getting the Cooperative's equity back in line. Crews are feeling the pressure from the increased demand for new construction in addition to doing all the site-specific work plan projects in-house.

COST OF SERVICE STUDY – EES PRESENTATION, Consultant Anne Falcon expressed appreciation to Accounting Manager Linden Barney for his staff for doing most of the work in preparing the COSA.

EXECUTIVE SUMMARY COSA - Our goal is to be sure that everyone is paying their fair share and revenue is collected equitably. Mrs. Falcon discussed the methodology in setting rates and the importance of member understanding. The COSA is in place to be sure that we provide revenue stability for the Co-op and rate stability for our members. Mrs. Falcon reviewed the assumptions used in the analysis using the Cooperatives 2016 year data as the base year for calculations. She noted Fall River's financial strength and discussed the COSA recommendations. The recommendations included and suggested the following:

- No retail rate increase was needed for 2018

- The Cooperative may want to consider the merits of using a demand charge for the residential rate class
- Demand charges for commercial and irrigation rates could be raised to represent actual costs
- The line and system maintenance charges represent roughly half of the actual costs. Mrs. Falcon suggested these should be raised over time.
- She noted that while the rates were relatively equal among rate classes, the Cooperative look are a smaller increase for residential and a larger increase for commercial accounts in a future rate change.

GM Bryan Case reiterated that the Cooperative is in good financial shape right now.

The COSA showed no rate increase was needed in 2018 and therefore, Mrs. Falcon's recommendation was to not raise rates this year. The Board discussed an unbundling of retail rates and having a system charge which would then allow power costs to be charged at actual cost. The consensus of the board was to have staff continue to look at the impact of a residential demand change and begin to educate the members on how demand billing works and what it takes to provide the service. Our line maintenance fees should be a \$76 base monthly fee for residential to be completely fair.

Ms. Falcon discussed net metering billing. In California, the Public Utilities Commission is looking at an hourly market price and cost. The hourly cost base model benefits the Cooperative. This model is where we will probably end up as an industry and is similar to the way FR solved the seasonal inequities. President Schmier suggested FR review the net metering policy and consider making changes if needed.

Fall River's management provided a recommendation to the board which was included in the board material. The recommendation was to not increase retail rates in 2018. Staff did discuss several potential BPA costs which could require rate action if implemented. The fish spill surcharge, financial Cost Recovery Clause, and loss of generation may cause increased wholesale power costs.

Director Jay Hanson moved to accept staff's recommendation and not raise rates this year and Director Debbie Smith seconded. Discussion continued on the sensitivities of rate class inequity and education on demand charges. BY VOICE VOTE, ALL WERE IN FAVOR AND THE MOTION PASSED.

KEY RATIO TREND ANALYSIS (KRTA) - GM Case gave an overview of the value of the KRTA and how the Cooperative uses it as a tool to compare how efficient Fall River is with over 800 other electric Cooperatives. CFO Linden Barney reported on the Cooperative's KRTA. CFC provides this analysis. GM Case explained why we have spent so much on plant as compared to other utilities. He said that we have upgraded to improve reliability and heavily invested in improving our infrastructure the last 20 years. We have lower equity as shown on the benchmark. CFO Barney said we are higher on debt mainly because of the Cooperative's investment in transmission and generation assets in combination with rebuilding critical infrastructure. Fall River operations and maintenance spending is lower due to our crews conducting damage assessment and preventative maintenance every year. We are meeting our goals on costs per consumer and are beating the industry standards on controllable costs. The Cooperative has also seen a significant improvement in line loss.

Overall, the Cooperative is performing well with a few noted areas which can still be improved.

EXECUTIVE SESSION

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

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

Director Jay Hanson moved to go ahead with the purchase of the generator as discussed. Motion seconded by Director Georg Behrens. By voice vote, THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

CFC VOTING DELEGATE

Director Jay Hanson made a motion for Director Dede Draper to serve as the CFC Voting Delegate and Director Brent Robson to serve as the Alternate. Director Debbie Smith seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MECA VOTING DELEGATE

Director Dede Draper made a motion for President Doug Schmier to serve as the MECA Voting Delegate, no one else will be able to attend. Director Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FEDERATED DELEGATE APPOINTMENT

Director Jay Hanson made a motion for Director Ron Dye to serve as the Federated Voting Delegate and Brent Robson to serve as the Alternate. Director Dede Draper seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

SECURING NEW POWER VISION LOAN – CFC

The recommendation from staff is to enter into a loan agreement for \$10M Power Vision long-term debt with CFC to use as a long-term line of credit.

Director Debbie Smith made the motion to approve. Director Dede Draper seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

DEBT PORTFOLIO REVIEW AND 10-YEAR FINANCIAL FORECAST

Director Jay Hanson made a motion accept the 10-year Financial Forecast. Director Georg Behrens seconded. Following discussion, a voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

4-YEAR CONSTRUCTION WORK PLAN

Director Brent Robson made a motion to accept the 4-year Construction Work Plan. Director Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FELT HYDRO UPDATE – ASSIGNMENT/ASSUMPTION AGREEMENT

The work to buy back the Felt lease is progressing. The remaining item is the acceptance of the Assignment and Assumption agreement with PacifiCorp. Fall River has currently pulled \$4M from the Cooperative's line of credit and has placed the amount in escrow. Once PacifiCorp accepts the agreement, Staff recommends moving the approximate \$4M from the line of credit to a 4-year, long-term obligation at the current variable rate of 3%.

\$4M LINE OF CREDIT TO LONG-TERM DEBT

Director Jay Hanson made a motion approve \$4M long-term debt on a variable rate Director Debbie Smith seconded. Following discussion, a voice vote was taken; 7 were in favor and Director Ralph Burton was opposed. THE MOTION CARRIED

PROPOSED PATRONAGE CAPITAL RETIREMENT BY-LAW CHANGE

Director Jay Hanson moved to present the bylaw change to the full membership at the Annual Meeting for approval; Director Brent Robson seconded. A voice vote was taken. The MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER BOARD COMPENSATION COMMITTEE

Director Jay Hanson made a motion to make a recommendation for a Board Compensation committee be formed and to bring their recommendations to the Members at the Annual Meeting of the Members. Director Brent Robson seconded. There was discussion regarding the need for this exercise. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

WATERS OF THE UNITED STATES (WOTUS) LETTER

Director Jay Hanson made a motion to have the Board sign (electronically) and send the WOTUS Letter. Director Brent Robson seconded. Attorney Rigby reported he recently sent a similar letter on behalf of the Western States Water Council. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS –

GM Case reported that we are having a surplus sale for some old equipment and sealed bids are due September 18th at 4:00 p.m.

Attorney Jerry Rigby reported on the Columbia River Treaty with Canada. They are reaping the benefits of the entitlement so they are reluctant to negotiate until they absolutely have to. He has worked extensively with the Idaho Water Association and they recently attended meetings in Washington DC. He said he was reassured by the Trump Resource Team that Eco-system considerations which were not part of the Treaty will not be included with the new Treaty negotiations. He reported that it was a very good meeting with the US Entities staff. There was uncertainty on whether the Treaty should be renegotiated or terminated; all involved believe termination of the Treaty has to be considered as a means to force Canada back to the negotiation table. This Treaty is unique for flood control in that it pays for Canada's role in flood control through electric

rate payers and in all other cases flood control is paid for through taxes. It would be better to have the tax payers pay Canada for flood control storage and not the BPA rate payers.

CFO Barney took the floor to report on the Board Budget and went over the proposed Board Budget to get Board input. There will be a budget meeting on October 10th at 9:00 a.m.

MEETING WITH ELLIOT MAINZER BPA ADMINISTRATOR, JANET HERRIN CHIEF OPERATING OFFICER, JOEL COOK SENIOR VP OF POWER SERVICES IN BOISE ON MONDAY, SEPTEMBER 16 - GM Case reported on the meeting he had with Administrator Elliot Mainzer and staff. He is very impressed with the new COO Janet Herrin as well as Joel Cook. Administrator Mainzer is committed that BPA will provide transmission for Fall River as usual. He will be available for another meeting on December 1st to discuss transmission transfer service. The purpose is for the new BPA transfer staff public power to learn about BPA's transmission service and brainstorm ideas for future transmission service.

NEW MANAGERS MEETING WITH ELLIOT MAINZER, BPA ADMINISTRATOR ON OCTOBER 4TH IN PORTLAND - The New Managers Meeting in Portland this year with Administrator Mainzer will be the last year that GM Case will lead. Stephen Boorman will take the reins in the future. Bryan thanked the Board for allowing Fall River to present this meeting. It has helped us build a good relationship with BPA.

REVIEW OF OUTAGES YEAR TO DATE – Operations Manager Trent Yancey took the floor and reported on Fall River reliability and reviewed outages. He gave a detailed history of outages over the past several years. He said that every time we have an animal or bird-caused outage we usually install coverup. We are working proactively to help eliminate future outages whenever the opportunity arises. Fall River has implemented programs to maintain right of way clearances, replace faulty cutouts, establish a pole testing program and conduct an annual hazard assessment program all in an effort to prevent and reduce the number of outages. Fall River's efforts have resulted in noticeable improvements to reliability.

REVIEW SAFETY INITIATIVES Operations Manager Trent Yancey reported that recently some safety trainers told him they are impressed with the fact that we are so very open in our Safety Meetings. Trent provided an extensive presentation on the Cooperative's safety initiatives and included the measures Fall River takes with its staff in providing protective personal equipment (PPE) for staff. Trent discussed the GPS Spot Satellite locators that shows the location of crews in the event of an accident. Fall River is serious about safety and safety training. Our number one focus is on safety and one of our goals is to prevent small incidents so that it doesn't lead to larger accidents. A discussion of the arc flash accident in Raft River was held.

We are looking to build our own Safety Demo Trailer so that we have it readily available when we need it for training the public. Our shared trailer is usually down south when we want it.

ICUA SAFETY INSPECTION - The ICUA SAP letter from Rupert was discussed. Director Ralph Burton asked whether our Cell Phone Policy is sufficient. Trent explained the reason for switching on the radio and how important it is to communicate. Our Safety

Manual addresses cell phone use and being safe; it will most likely need to be updated to be more specific on the appropriate use of cell phones during work hours from a safety perspective. GM Case reported on a conversation he had with Billy Palmer about how impressed Billy was when watching the Fall River crews work together.

NWPPA 3 C'S CONFERENCE – GM CASE IS THE KEYNOTE SPEAKER on October 25th in Spokane.

CFC PATRONAGE CAPITAL ALLOCATION \$276,871.92 AND RETIREMENT OF \$138,435.96 – Information included in the Board Packet.

STATE OF NEVADA – ENERGY CHOICE – Information included in the Board Packet.

MANAGEMENT REPORT – Information included in the Board Packet.

GENERAL MANAGER/CEO JOB DESCRIPTION – Information included in the Board Packet.

REPORTS

BOARD COMMITTEES -none

ADMINISTRATIVE COMMITTEE CHAIR -none

ATTORNEY RIGBY REPORT -none

MANAGEMENT REPORT -included in the packet.

POLICY COMMITTEE -none

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 4:05 p.m.

DATE APPROVED: October 23, 2017


Secretary, Dede Draper