

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

February 22, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, February 22, 2016, at the main office of Fall River Rural Electric in Ashton, Idaho. Determining a quorum was present, Vice-President Doug Schmier called the meeting to order at 10:07 a.m. Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by Attorney Jerry Rigby.

ATTENDING  
OFFICERS

President Jay Hanson via phone conference, Vice-President Doug Schmier,  
Secretary/Treasurer Debbie Smith, and Past President Dan Skene

DIRECTORS  
PRESENT

Brent Robson, Dede Draper, and Ron Dye. Boyd Bowles and Ralph Burton via phone conference.

DIRECTORS  
ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, CFO Linden Barney and Engineering Manager Dave Peterson. Also attending, Jerry Rigby, Attorney.

Welcome to Visitors: Members of the Beartooth Electric Cooperative Board, President Roxie Melton, and Board Members Dick Nolan, Laurie Beers and Arleen Boyd.

APPROVAL OF AGENDA

**Dan Skene made a motion to approve the Agenda. Brent Robson seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

**Debbie Smith made a motion to approve the expense vouchers submitted for payment. Ralph Burton seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

## APPROVAL OF MINUTES

### MINUTES OF JANUARY 25, 2016 BOARD MEETING

**Following a review of the minutes for January 25, 2016, Dan Skene made a motion to approve the minutes as submitted. Brent Robson seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

## CONSENT AGENDA

**After review, Ralph Burton made a motion to approve the consent agenda. Debbie Smith seconded** the motion, which included the Memberships, Purchase of Power Agreements, check register report, safety report, and capital credit early retirement report.

Following discussion and hearing no objections, THE MOTION CARRIED BY UNANIMOUS CONSENT.

## MEMBER COMMENT

Dede Draper reported on the member meetings that she attended in Ashton. Other comments received by the board include the potential savings with the consolidation. A few members expressed concerns about less representation; some members have asked if they need to be concerned. GM Bryan Case addressed a couple of the concerns, stating that most of the members concerns have been about loss of representation.

Staff provided EES analysis, talking points, frequently asked questions, and the draft memorandum of understanding (MOU), etc. Discussion continued on the talking points and suggested changes. The Board discussed the need to focus and educate members on industry changes, with a move towards distributive generation, conservation, and flat kWh sales. While these market transformations cannot be controlled, the Cooperative's management and board are striving to be proactive to position Fall River to be our members/owners energy provider at competitive prices and ensure the Cooperative's long term success.

## FINANCIAL AND STATISTICAL REPORTS

### DECEMBER 2015 FINANCIAL REPORTS –

Staff reviewed the December 2015 financial report. While total revenue was down .9% from the budget, net margins were \$861K higher than the budget due to keeping the total cost of electric service down 3.6% from the budgeted expenses. Fall River ended fiscal year 2015 with a net margin of \$3,169,772. Fall River had another financially successful year with our equity growing to 34.7% which is getting closer to the goal of 38% equity.

### JANUARY 2016 FINANCIAL REPORTS –

Staff reviewed January financial reports making note of the increase in retail sales, which is typical with the colder winter months. Also noted in the report are variances which are currently within 2% of budget and equity growth is now at 34.9%. Capital projects were discussed.

## RECAP OF AUDIT

The field audit portion of the Cooperatives annual audit was completed on the week of February 8<sup>th</sup> and was another success for our accounting staff. Auditors will report to the Fall River Board of Directors at the April board meeting and will present their report at the annual member's meeting on June 11<sup>th</sup>. No audit adjustments were needed with the Fall River Enterprises (Propane) audit. A reclassification was done for the calculation of unbilled electric revenue. Fall River has moved from estimating unbilled revenue to using actual information obtained from our automated meter data. Using actual data provides exact unbilled revenue and will be used as the method to determine and record unbilled revenue for fiscal year-ends. Using actual data resulted in significant additional unbilled revenue and the onetime benefit will be amortized over a 5 year period.

## BUSINESS

### CONSOLIDATION -

Discussion of the "Talking Points" document continued. The board appreciated the talking points and frequently asked questions document. They suggested that maybe it could be more positive in emphasizing that the consolidation would save members money and ensure long-term rate stability. A request to address member representation was also suggested. This might help alleviate irrigators concerns of representation and influence. Some discussion took place on making sure it is known that the board is not only representing individual districts, but the members as a whole.

The board discussed the value to members, in a consolidated scenario, on the opportunity to expand natural gas and propane and how this could accentuate reduction of costs further by increasing revenues from propane and natural gas sales. The Board discussed its role and a need to be more proactive in participating in member presentations, and assist in clarifying the reasons for exploring consolidation. GM Case discussed the smaller community meetings which have been held and those that are being set up. The board was encouraged to participate and attend any or all of the meetings.

The "Frequently Asked Questions" document was referenced. If there are questions that need to be added, board members are to let GM Bryan Case know. GM Case explained the approach has been more from a business perspective and noted that member opposition is primarily from an emotional perspective; pride in Fall River and a feeling that it is working well, why change. Case suggested tapping into our pride of Fall River by focusing on the tradition of Fall River to expand its operations and a tradition of looking to do the next greatest thing. This emotional tie to members would be based on the expansion of Fall River from Ashton to Rigby/Ririe in 1941, to providing expanded service to West Yellowstone in 1948, and further expanding to provide service to the Teton Basin in 1960. This concept of always striving or reaching for the next greatest thing is why Fall River is a success and is in line with our tradition. Put an offensive approach, instead of defensive, reminding members this is not a move out of desperation but a proactive opportunity to position Fall River for a successful future. Other suggested comments made were the significance of each member voting, and the importance of members to participate in the Cooperative democratic opportunity to vote. Each member does count and they need to get informed and make their own informed decision.

President Jay Hanson reported on the feedback he received from CFC Board members who had gone through the consolidation process. All Cooperatives reported the savings results met estimated savings and most reported better than projected savings. It was reiterated consolidation is not out of the norm; many co-ops are doing this as the industry is changing. Concern was expressed about the experience some have had while Teton County Wyoming and Teton County Idaho have worked jointly on projects with Teton County Idaho feeling disadvantaged in many of the dealings between the two counties. It was noted that the proposed consolidation was between two cooperatives and not governmental agencies.

Beartooth Board members visiting commented both optimistically toward consolidation, and expressed their concerns about losing representation but the overall thought is consolidation would be beneficial.

Staff presented the estimated cost savings and the potential benefits to our members. It was noted the combined board of a consolidation would determine how the savings would be given back to members. Since the consolidated entity would still be a cooperative and non-profit in nature all savings achieved would go back to the members/owners of the new cooperative. With Fall River being the smaller of the two cooperatives, its members will receive a greater portion of the savings.

#### Draft Timeline –

Bryan reported on the timeline adjustment with the need to meet with PNGC. Currently, we would expect to Kick-off consolidation discussions at the annual member meeting in June, if it moves forward the consolidation will have an open and separate vote, wrapping it up in August through September. May, 2017 would be the new target consolidation date.

#### Town Hall Meetings –

List of meetings scheduled to discuss the consolidation with community members is included in the board packet. GM Case encouraged board members to attend. If there are other groups who would like to meet with FRREC, they can contact GM Case to make arrangements for the meetings.

#### HYDRO OPERATIONS -

Staff reported the Chester Hydro rake has arrived and will be installed with oversight of the rake manufacturer. Staff will be trained on the rakes operations. The Buffalo Hydro rake was experiencing communication problems with the remote control, but has been repaired. Sensors on the rake have been replaced and are now working well. Island Park Hydro is currently down due to a lack of water, but current snow reports are promising. It is expected that the Island Park Reservoir will fill this spring resulting in increases in river flows around April, which will allow the Island Park plant to resume operations at that time.

#### OPERATIONAL UPDATES -

Staff reported on the new transmission line project. The costs are down from estimates but the job has taken a little longer than originally thought. The contract crew hired to do the work is doing a great job, but is using a small crew, hence the longer timeline. There is still one section to be done. Fiber to the Driggs office is part of the project and we expect to have the fiber installed and operational by the end of April. Having our own fiber to the Driggs office will save \$2,300 per month.

#### ANNUAL MEETING PREP -

GM Bryan Case reviewed the nominating committee timelines included in the packet. No new names have been submitted.

#### LEGISLATIVE UPDATE -

GM Bryan Case reported on Idaho legislative update. H0447 has passed the house and is now going to the senate. This bill allows utilities to protect utility grid infrastructure.

#### CRC VOTING DELEGATE –

**Brent Robson made a motion GM Bryan Case be the CRC Voting Delegate with President Jay Hanson as the Alternate. Dan Skene seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

#### RESOLUTION

GM Bryan Case reviewed the resolution needed for account authorized signatures to be updated on the Cafeteria Plan bank account.

**Ralph Burton made a motion to pass the Cafeteria Plan Resolution to update the signatures. Brent Robson seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

#### NWPPA -

GM Bryan Case reminded the Board about the upcoming NWPPA Annual Meeting, encouraging those wishing to attend to discuss it with President Hanson and then with staff to get registered.

#### CORPORATION INFORMATION -

##### WORK PLAN –

GM Bryan Case reviewed the accomplishments achieved in the 2015 work plan and discussed areas of the work plan which were not accomplished. The vast majority of the objectives were accomplished and the board expressed their appreciation for the work completed by the Fall River staff. Discussion and questions were addressed for clarification.

##### 2015 GOALS –

GM Bryan Case reviewed the 2015 goal accomplishments noting that the staff accomplished over 85% of the Cooperative goals.

#### SAFETY GOAL REVIEW –

GM Bryan Case reviewed the safety goal program with no loss time accidents in 2015. He also reviewed the report outlining the safety incentive program.

#### ICUA SAFETY INSPECTION LETTER –

GM Bryan Case reviewed ICUA Safety Inspection letter included in the board packet, noting items reported were fairly small; suggestions will be discussed and implemented.

#### 242 APPLICATION –

GM Bryan Case reviewed 242 Application which should result in funding for the Chester Hydro project. It is expected to result in a \$40k Federal Treasury payment to the project as it qualifies for a new, low-impact hydro on an existing dam.

#### YOUTH RALLY –

Board Members were encouraged to help get the word out to encourage sophomores and juniors in high school to apply. All who participate receive leadership training, are taught about cooperative's, and all receive scholarships for continuing education.

#### SCHOLARSHIPS -

As previously noted, the deadline is March 25, 2016. Any extra effort from board members to get the word out is encouraged and appreciated.

#### NRECA BOARD INDUCTION –

It was noted that GM Case was inducted to the NRECA board at the NRECA annual meeting.

#### CYBER SECURITY –

GM Bryan Case turned the time over to staff to review Fall River's cyber security. The biggest concern for the Cooperative is protecting our member's personal information. Discussion continued on the risks and how we can prevent and thwart cyber thieves and the measures taken within our system for protection, including encrypted storage of data, web filtering, administrative rights, firewalls, password measures, and physical security preventing access to servers. Staff discussed reviews and testing of our systems which included external penetration testing and a review from the Department of Energy. These third party assessments will continue to be used to test and improve our processes. The Board asked questions and discussion ensued.

#### POWER SUPPLY

GM Bryan Case reviewed a proposed voluntary demand response program from BPA being made available to the cooperative's irrigation members. The demand response is a pilot program and participation is voluntary. The goal is to demonstrate that the program can be used to reduce costs for Fall River and its irrigation members.

GM Case also discussed a new conservation program for irrigators which reduces water use and saves kWh's for pivots. The program referred to as LISA has increased yields for alfalfa and grain crops, while resulting in the same yield for potato crops. The program

qualifies for multiple grants, and for Fall River's conservation program, which will greatly reduce the costs to implement. Many irrigators are so impressed with the results of the added yields and reduced water use, they feel the costs are sufficient to justify the expense without grants or conservation dollars. Attorney Jerry Rigby gave further explanation on Idaho's required 13% reduction in water allocations. He said that while farmers in this area have solutions to meet the 13% requirement, this program likely would be counted as meeting the water reduction required by Idaho. Currently RC&D is paying for the initial system and energy audit, and funds available through Fall River's conservation program.

## REPORTS

### BOARD REPORTS –

President Jay Hanson gave a brief report on the NRECA and CFC Annual Meeting. A full report will be sent out via email.

Dede Draper reported on attending ICUA, and participation in a CFC Webinar. She gave a brief summary of the topics.

Raising Island Park reservoir levels was discussed.

### BOARD COMMITTEES:

#### ADMINISTRATIVE COMMITTEE CHAIR – DEDE DRAPER

Chair Draper reported the committee met this morning, starting the scholarship program.

#### FINANCE COMMITTEE CHAIR – BOYD BOWLES

It was reported the audit went well and a full report will be presented to the Board in April.

#### BEARTOOTH BOARD MEMBERS–

Shared comments on their observations. Appreciated the opportunity to attend the Fall River board meeting. The Fall River Board expressed appreciation to Beartooth for their participation.

#### MANAGEMENT REPORT:

General Manager Bryan Case gave a summary of the management report, which was included in the board packet for full review.

#### EXECUTIVE SESSION

**Dan Skene made a motion to go into Executive Session. Brent Robson seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

**Dan Skene made a motion to go out of executive session. Debbie Smith seconded.** A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

ADJOURNMENT

There being no further business, **Boyd Bowles moved that the meeting be adjourned.**  
**Brent Robson seconded.** By consensus, the meeting was adjourned at 3:58 p.m.

DATE APPROVED: 3/21/2016

Debbie Smith  
Secretary, Debbie Smith