

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

February 19, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, February 19, 2018, 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, via conference call, at 10:00 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Director Ron Dye. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Doug Schmier (the road was closed due to the storm) and Vice President Ralph Burton, both by teleconference

DIRECTORS PRESENT

Brent Robson, Georg Behrens, Ron Dye, Dan Skene, Debbie Smith, and by teleconference Jay Hanson

DIRECTORS ABSENT

Secretary/Treasurer Dede Draper

OTHERS

CEO/General Manager (GM) Bryan Case, Executive Assistant Joni Amen, CFO Linden Barney, Manager Engineering Dave Peterson, Manager Member Services Brand Hathaway, Manager Operations Trent Yancey. Also, in attendance was Attorney Jerry Rigby

APPROVAL OF AGENDA

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

EXPENSE VOUCHERS

**Director Skene made a motion to approve expense vouchers. Director Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

**Director Skene made a motion to approve the Minutes of January 19<sup>th</sup>, 2017. Director Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

**Director Smith made a motion to approve the Consent Agenda. Director Robson seconded the motion which included Memberships, Purchase of Power Agreements, check reports, safety reports, and the discounted Patronage Capital refunds report.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BOARD REPORTS

Director Brent Robson reported that the district basketball “number one foam finger” with Fall River’s logo was a hit. GM Case stated that Member Services Representative Kathy Bollinger had secured and ordered them; everyone commented on what a great idea was.

Director Jay Hanson reported that Broadband issues were discussed at the last CFC meeting he attended.

#### MEMBER COMMENTS

There was a letter sent by Rich Andrus asking that we be sure to note the difference in the two presidents Roosevelts’ and he thanked Fall River Electric for the great service.

Director Smith reported that there was a member who was confused on digging to the transformer. They didn’t understand they were supposed to hand dig the last 2 feet.

Director Robson reported that there was an older member who received a check from her father’s estate and the bank wouldn’t cash it. GM Case stated that he will follow up with Member Services.

#### FINANCIAL & STATISTICAL REPORTS

##### JANUARY 31, 2018 FINANCIAL REPORTS–

Staff reported net margins through January 31<sup>st</sup> are \$132.6K better than budgeted. Operations/Maintenance expense are 2.3% under budget. Some variances included out-of-pocket hydro repairs and resource support services coming in 40k under budget. There was 26k less on PURPA and hydro production exceeded budgeted estimates. Interest expenses were lower than expected, variable rates were anticipated to be higher. The cash flow statement shows we have over 1.5M in the bank, which is a little unusual for this time of year. There are some large payments coming up with the Farmer Mac Loan, and rebate checks will take a large portion of cash reserves. Even so, Fall River may be able to get through the year without using the short-term line of credit. The form 7 report also shows 20 new services connected in January. Crews are still hooking up new services from last year’s new construction.

##### 2017 YEAR END FINANCIAL REPORTS –

Staff reported net margins for year 2017 are \$3,766,503 or 51.3% better than budgeted. The primary factors are cost management, additional hydro generation due to a great water year, the addition of the Felt Hydro Plant, and increased revenues from a colder than expected year with a record number of kWh sales in 2017.

Fall River’s Operations/Maintenance expense were 2.3% under budget mainly because of labor being capitalized due to an increased number of new services. Expenditures for capital projects totaled \$3M of the anticipated \$4.3M annual budget. The Cooperative collected contribution in aid, which covers the costs for most new services and subdivision construction. Fall River accomplished most of the capital projects in our last four-year construction work plan. A few small capital budget items were carried forward into 2018. Our crews were able to do most of the work internally, instead of hiring contractors. We plan to hire contractors in 2018 to do some of the larger jobs, as crews were stretched to keep up with new service requests in 2017.

The auditors tried a different approach on materials and inventory, which improved auditing inventory processes. There were no audit adjustments again and GM Case

complimented CFO Barney and staff on the excellent job. CFO Barney reported that the Auditors moved the audit up by a week and so staff had to scramble to get things ready.

Hearing no objections or changes from the Board, let the record reflect the Financial Reports stand as approved.

#### 2018 CAPITAL BUDGET ADJUSTMENT

Management requested the capital budget be adjusted allowing staff to postpone the construction of a new building at the Chester hydro and instead use the budgeted \$25K for a High Voltage Safety Trailer. **Director Robson made a motion to approve the Capital Budget Adjustment of 25K. Following further discussion, Director Smith seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

### COOPERATIVE BUSINESS

#### ANNUAL MEETING REVIEW

The timeline for Fall River's 80<sup>th</sup> Annual Meeting was included in the packet.

GM Case reported that it will soon be time to appoint members to the Nominating Committee, as well as a Board Compensation Committee. Names were submitted and discussed and, ideally, we need two people from each district to serve on each committee.

#### YEAR END RECAP OF WORK PLANS AND GOALS

The 2017 work plan and goals accomplished were included in the board packet. The goals were challenging and staff accomplished 87%. The goal on increasing the number of new propane customers was just short a small amount. Reducing the 60-day aging balance to .21% or less was missed, and generation at Chester Hydro wasn't sufficient to make that goal. Tagging underground subdivision transformers was not met. Fall River employees are very aware of the goals and work hard to accomplish all of them. Over all, most of the goals were achieved and staff was complimented on a job well done.

GM Case went over the work plan, line by line. Site specific jobs were discussed, and GM Case again reported that we will be using outside contractors in 2018 for a few of the site-specific jobs. The crews were worn out last year trying to do the site-specific projects along with outages, maintenance, and new services.

GM Case shared progress on collections and use of the AMI data. Fall River has been asking for advancements from some of our software providers, and the upgrades take time to program and test.

There was discussion on how often safety meetings are held, the purpose of the safety compliance committee, Fall River's safety culture, and the Cooperative's efforts to be leaders in safety.

Electronically signing online documents was also discussed. Attorney Rigby reported that we are working on this and watching the courts. He doesn't think it will be long before there is precedence to use online signature which will be binding and acceptable at county offices.

Director Skene reported that he has heard there are many folks not pleased with Rocky Mountain Power in Rexburg and the Mayor is checking into the city's options.

#### YEAR END PROPANE FINANCIALS

GM Case gave a detailed report on the status of Fall River Enterprises. Shareholder expectations were reviewed with the board. The Legacy area is doing well and generated \$30K margins greater than budget expectations. The expansion into Star Valley and the distribution system resulted in a loss greater than budgeted. Overall, Fall River saw a net benefit of \$13K when including shared services. Fall River electric staff will assist in watching the gross margins, and Propane is going to install software that will help in billing for service hours.

#### MECA RESIDENTIAL RATE DATA

As we are looking at rates, the MECA survey of electric cooperatives in Montana shows the Line and System Maintenance charges for electric cooperatives have risen and, on average, are close to Fall River's, and in many cases are higher than Fall River's. Throughout the west this basic charge has been increasing. The MECA report is a good source of information as we look to set our rates. President Schmier reported that Fall River has been a leader in the industry in charging for basic service. Now, other Cooperatives in the Northwest are catching up and passing the Fall River. BPA has indicated it is likely they will increase wholesale power costs through the Financial Cost Recovery Adjustment Clause (CRAC). Initially, BPA reported they were going to also pass along the cost of fish spill, but recently the Administrator stated that they will hold the line on the fish and environmental budgets. Programs will be cut or adjusted to stay with current budgets, so they may not be passing on the charges for spill. The CRAC increase is likely and he anticipates an increase of 1-2% this fall.

#### ANNUAL FALL RIVER GENERAL POLICY REVIEW – JERRY RIGBY

GM Case reminded the Board where the policies are on the Fall River Electric website and explained the numbering system. Attorney Rigby complimented Fall River's Policy Committee's challenging work on updating or deleting policies that are irrelevant. Training on the following policies ensued:

##### GP 102 DUTIES, RESPONSIBILITIES, STANDARDS OF CONDUCT & PROFESSIONAL DEVELOPMENT

Attorney Rigby feels it is very important for us to go over these policies every year. Attorneys are required to have at least 3-hours of ethics training every year. He explained that the By-Laws are the original policy and we should be sure that everyone on the Board goes over them every year. Attorney Rigby continued with training on ethics.

GM Case noted that it is imperative to fully disclose issues which may be a conflict of interest. It is important that if an issue affects a Board Member personally or financially, we must address it and recuse ourselves if there is an issue.

Discussion on updating the Policy 102 - 8A11 by counting teleconference as being present, as opposed to being "physically" present, ensued. Attorney Rigby commended the Board President for making sure all voices are heard.

##### GP 605 WHISTLEBLOWER POLICY

Attorney Rigby explained the reasons for this policy and what it means. It applies to the board, as well as for employees. If there is a concern, we need to be sure to

bring it forward. Employees and board members shouldn't feel afraid of repercussions in bringing issues out.

#### GP 623 SEXUAL HARASSMENT

The policy content was reviewed in depth by Attorney Rigby. It was noted that because of the Board's position there is perceived power over employees so be careful in all relationships. He advised on how to handle incidents that might be reported to the Board. Director Skene offered suggestions on updating the forms attached to the policy.

#### GP 625 ANTI-HARASSMENT

The policy was reviewed and discussed in detail.

Forms were provided for Board Members to sign stating that they have reviewed and submit to them.

#### EXECUTIVE SESSION

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

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

#### ADMINISTRATIVE COMMITTEE RECOMMENDATION FOR MECA SCHOLARSHIP- DEBBIE SMITH

**Director Smith made a motion to submit MECA Scholarship Applicant Lila Jolley on to MECA for a chance to win. Following further discussion, Director Behrens seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### NRECA ANNUAL MEETING – COMPENDIUM OF RESOLUTIONS

GM Case reported on the Resolutions being considered. Director Robson will be representing Fall River as voting delegate. Discussion ensued on the issues.

#### CLARK CANYON HYDRO PROJECT

Manager of Engineering Dave Peterson took the floor to explain the Clark Canyon Hydro Project. They are interested in Fall River being a partner in this project. GM Case indicated staff are not interested in the opportunity at this time. The Board concurred.

#### REQUESTS FOR CRYPTOCURRENCY POWER – SERVER FARMS

GM Case reported that Fall River Electric has had 5 inquiries for Cryptocurrency server farms in the past month or two. We have quoted the costs for connection and have not heard back from any of the firms. GM Case asked if the Board would allow for a COSA, if we have serious request for service. The Board felt as long as they paid their share of costs and any upfront costs for service connections, the Cooperative could provide service.

#### BPA EXPECTED 2019 ADMINISTRATION PUSH FOR BPA MARKET RATES

The Northwest Delegation letter to Mick Mulveny was discussed. Director Burton asked why the Idaho delegation didn't sign the letter. GM Case said that the Washington and Oregon Delegation went ahead without asking Idaho, Montana, Utah, or Nevada to sign the letter. ICUA will be using this letter as a template and will ask Idaho, Montana, Utah, or Nevada to sign on.

PPC Talking Points on BPA Market Rates and the BPA Strategic Plan Executive Summary were discussed.

#### CRC VOTING DELEGATE

**Director Hanson made a motion for the CRC voting delegate to remain as it was in the past. Ralph Burton will continue serving as voting delegate and GM Case will act as alternate. No changes were necessary. Director Smith seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### FALL RIVER SAFETY MANUAL UPDATE SECTION 16

Staff reported that they have updated Section 16 of the Safety Manual dedicated to hydro safety. Jerry Lemm will assist with suggestions and inspections at the hydro. We have added Spot devices and rules for use for the staff working alone, and added requirements for wearing personal floatation devices when near the water. Staff has installed a ladder and a safety hook at Chester. Operations Manager Yancey conducts unannounced in-field safety inspections and Engineering Manager Peterson will begin doing the same with his hydro staff.

The question of what to do in an active shooting was asked by Ron Dye. GM Case explained what our procedures are for staff. We are supposed to run, if we can't run, hide and as a last resort fight back and mean it.

#### DEEP GREEN RESISTANCE TRAINING WEST YELLOWSTONE

This radical group is advertising training on extreme measures on June 22<sup>nd</sup> – 24<sup>th</sup>, in the West Yellowstone area. BPA has checked into the group and they have determined that they are a serious threat. Fall River is planning to show a presence in the area during this time to protect property.

### MANAGEMENT DISCUSSION ITEMS

#### HYDRO FACILITIES UPDATE

Manager of Engineering Dave Peterson reported that the Island Park LIHI Certificate was renewed. It is running on one turbine. We have the blowers running on the variable speed pump to maintain the dissolved oxygen levels.

Buffalo is running well with good water flows.

Chester is also running again at one Megawatt and, if we can run the entire year, we may make the goal. Chester was shut down earlier in the season due to ice accumulation. Management will be meeting with Riverside when they come for a site visit. The meeting will include a status update on stator repairs and turbine #3's runner issue.

The Felt operating statement was included in the packet. Felt is outperforming expectations due to plentiful river flows. The new controls on the trash rake are being shipped. The goal is to have the controls updated in time for high water flows and high moss trash later in the year.

#### HR MANAGER SEARCH UPDATE

The Management Team have interviewed several great candidates, with more scheduled the end of the week. That decision will be made soon.

#### DEMAND READINGS AND BILLING

GM Case asked that everyone turn in their analysis sheet on personal use for residential demand billing. He noted BPA currently has an equivalent base charge which represents approximately 90% of Fall River's power. BPA has also indicated they are looking at increasing the demand rate they currently are charging for upcoming rate cases. If our power supplier significantly increases demand costs, Fall River will need to look seriously at billing for residential demand. We will continue to explore this concept.

#### ASSUMPTION OF MORTGAGE FOR ISLAND PARK CONDO

The original party that purchased the IP Condo has sold it to a realty company and the Assumption of Mortgage was approved and signed by management.

#### SOLAR FOR SCHOOLS

Manager of Member Services Brand Hathaway reported that he and GM Case have met with West Yellowstone, Ashton, and Driggs High School Administration. He said that Driggs has jumped in and is actively assisting with fund raising. He has had some discussions with Bonneville Environmental Foundation and they offered 30k for a grant – half of what was anticipated. They will also provide assistance for training for distributive energy. We have Creative Energy anticipating providing wind generation assistance. Helping Hands will provide matching funds up to 15K per school.

GM Case said a notice will be given to owner/members explaining the project in the Flashes and other mailings.

#### SMART HOME PROJECT

Member Services Manager Hathaway reported that 20 units for water heater controls and 30 Nest thermostats have been ordered. The plan is to find owner/members, with forced air electric furnaces, who would be willing to participate and allow Fall River to analyze the use of the devices. Mr. Hathaway explained that a Nest will learn your habits and will tell the water heater to shut off when you're away. They could be used as a demand response option, if needed, in the future. Notices of the program will be placed in the Flashes to advertise the program.

#### EV CHARGING STATIONS

GM Case discussed Idaho's plans to use the Volkswagen settlement monies for possible electric vehicle charging stations. The location of charging stations was also discussed. It appears that there are none in Rexburg or Island Park. We will keep an eye on this and participate if there is an option and need.

#### FALL RIVER SCHOLARSHIP APPLICATIONS ARE DUE MARCH 30<sup>TH</sup>

The students who applied for the MECA scholarships will be encouraged to apply for Fall River Scholarships.

#### RECORD RETENTION PROGRESS

GM Case reported that the shredder truck was here, and progress is being made on cleaning out the vault. Joni Amen is organizing the efforts to clean up and electronically store and retain Cooperative documents.

#### OWNER REBATE LETTER

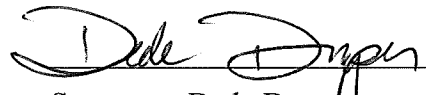
Credits have been applied to accounts for amounts under \$5. Accounts with delinquent amounts have been applied to members accounts. Checks will be sent out soon to all others.

REPORTS - FALL RIVER'S MANAGEMENT REPORT was included in the packet.

#### ADJOURNMENT

There being no further business, **Director Smith moved that the meeting be adjourned. Director Robson seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 3:30 p.m.

DATE APPROVED: March 19, 2018

  
Secretary, Dede Draper