

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

February 27, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Wednesday, February 27, 2019, at the main office of Fall River Rural Electric in Ashton, Idaho. The meeting was originally scheduled for Monday, but due to a blizzard, was postponed till Wednesday. 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.

The Annual Shareholders meeting for Fall River Enterprises was held on Monday, February 25, 2019.

ATTENDING OFFICERS

President Doug Schmier by conference call, Secretary/Treasurer Dede Draper, and Vice President Brent Robson

DIRECTORS PRESENT

Brent "Husk" Crowther, Ron Dye, Georg Behrens and with Debbie Smith, Jeff Keay, and Jay Hanson by conference call

DIRECTORS ABSENT – NONE

OTHERS

Operations Manager Trent Yancey, visitor Ken Hymas, CFO Linden Barney, CEO/General Manager Bryan Case, Legal Counsel Attorney Hyrum Erickson by conference call, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

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

EXPENSE VOUCHERS

**Secretary Draper made a motion to accept and approve Expense Vouchers. Vice President Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

**Vice President Robson made a motion to approve the January 28<sup>th</sup> Board Minutes as presented. Director Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

**Vice President Robson made a motion to approve the Consent Agenda. Director Draper seconded the motion which included new memberships, purchase of power agreements, check register, safety report, and the discounted patronage capital refunds report.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## COOPERATIVE MEMBERS

CEO Case reported that there were some documents he will email out to the Directors. An e-mail from a member recently praised Fall River for the rates we have and how they cannot justify using solar because of Fall River's reasonable rates.

There was also a letter from Member Glade Gunnell from Island Park who is upset about the overpass issue and a Director being supportive of it. Director Draper was interviewed by a television reporter and she expressed her concerns about ITD's process and the information considered in the NEPA study for ITD's decision. The member did recognize Dede was expressing her personal opinion but thought it might have also been Fall River's position. The Fall River Board discussed the Highway 20 proposals in a previous meeting. Factors to consider were turn out lanes for Propane to stop at railroad crossings, potential impacts to Fall River's Ashton office if Highway 20 is expanded, and restricted access to electrical facilities due to the fencing proposed with animal overpasses. After a thorough discussion, the Fall River Board voted to oppose the fencing included in the animal overpasses. Director Robson stated that he would like to revisit the code of conduct addressing how Board members represent themselves in public while still being able to express personal opinions. Discussion ensued and the consensus was to continue the dialogue next month. Director Hanson reminded the Board that the reason we are opposed is due to the fencing and access to our infrastructure.

Attorney Erickson expressed his appreciation for the diversity of opinion on the Fall River Board. He also stated that there are guidelines on conduct that he or Attorney Rigby would be happy to present to the Board next month.

Ron Dye reiterated that the residents of Island Park do not want overpasses and fences.

Doug Schmier stated that he is glad the Board is diverse. It was contemplated whether this was even a Board issue or not. It was determined that this greatly affects Fall River and our daily operations. Fall River is responsible to the members. He recommends that it should be clarified that all the Directors are in support of the Board's decision but may not personally agree.

## COOPERATIVE REPORTS

Ron Dye Reported that the Administrative Committee met and the scholarship deadline was set for March 29<sup>th</sup>. The following assignments were made:

- Driggs/Wyoming ----- Georg Behrens
- North Fremont ----- Jeff Keay
- South Fremont ----- Brent "Husk" Crowther
- Madison/Sugar Salem ----- Bryan Case
- Rigby/Ririe ----- Bryan Case
- At Large ----- Debbie Smith
- Lineman ----- Debbie Smith
- Helping Hands ----- Debbie Smith
- Energy Partner ----- Raffle at Annual Meeting

Director Behrens reported that he attended the Legislative Banquet in Idaho Falls recently. He has been reading a lot about electric vehicles and how Europe is transitioning to EV's. Director Crowther enjoyed the Republican Legislative Banquet and interacting with the representatives as well.

Director Draper reported that she enjoyed the Directors' conference that she and Director Keay attended. She thanked Director Keay for the excellent report he submitted on the conference. They said the presenters were excellent. Discussion followed on the detailed report that Director

Keay submitted. CEO Case followed up by stating he is fine with giving out his cell phone number for PR issues at times. He said that Fall River is very transparent and our minutes, policies, Bylaws, Board meeting dates and locations, etc. are all on the Fall River website.

Director Hanson reported on the Finance Committee responsibility and the successful field audit that was conducted the first part of the month. He will be attending the CFC meeting in conjunction with the NRECA annual meeting.

President Schmier reported that he has been staying up on MECA issues and they are currently working on capital credits and aquatic species legislation. The MECA Board is looking for a new Executive Director. He is also working with NWPPA on legislative resolutions. Anita Decker is retiring, and President Schmier is on the new CEO Committee to search for a new NWPPA CEO as well. He said the Committee has met with candidates and they have offered the position to an individual; he will follow up with additional information once the candidate has accepted and the announcement is made public.

President Schmier commended the staff for the wonderful job keeping the power on through the storms and he is pleased with the reliability of Fall River's system.

## FINANCIAL & STATISTICAL REPORTS

### REVISED 2018 YEAR END FINANCIALS

CFO Barney provided an update on the preliminary financials given last month and presented a reconciliation of the additional entries for the final year-end financial reports.

### JANUARY 31, 2019 FINANCIAL REPORTS

The net margins are \$162K better than budget expectations due to more revenue in kWh sales and labor as well as overhead expenses coming in under budget by \$23K, or 4%. Interest expense was \$34K under budget due to timing. Other variances are included in the packet. Controllable costs are 3.6% under budget. Cash flow reports show we have spent \$933K for operations. Fall River paid off long term debt and interest of \$743K to CFC. CFO Barney pointed out Fall River has paid back more contribution in aid to construction than the Cooperative has received for new services in January.

Cumulative spending on Bates to Packsaddle and fiber spent last year were more than anticipated. Operations Manager Yancey explained that the costs were due to our own crews doing the construction; they worked on the Bates to Packsaddle job when they had time. Staff also did a lot of the work "hot" which takes significantly longer but reduces the outages to members. CEO Case reviewed early Board discussions on the cost to install fiber to Rexburg, including an alternate route and additional fiber drops. The changes were to accommodate a vendor request to lease dark fiber from the Cooperative. Fall River staff enjoys working on these large jobs and, while it took longer and cost more, because the staff constructed the line, there was an overall savings to the Cooperative compared to the cost of using contractors.

CEO Case said that, typically, Fall River uses the line of credit starting around November and it is typically paid off in May. The Cooperative had not needed to use the line of credit until last week when \$300K was borrowed. Fall River's strong financial position means we are less reliant on the line of credit.

### RECAP OF ANNUAL FIELD AUDIT

CFO Barney explained that another successful audit was conducted with no audit adjustments. There will be one management recommendation for activities relating to accounting for and tracking propane inventories.

#### REVISED 2019 OPERATING BUDGET

CEO Case explained the reason for the revision.

**Director Robson made a motion to accept the revised 2019 Operating Budget. Director Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

### COOPERATIVE BUSINESS

#### BOARD GOVERNANCE

CEO Case said that this discussion could be carried over to next month when there are more Directors in attendance in person. The Cooperative has one proposed Bylaw change based on our review to-date, and if the Board intends to propose more, they will need to have them finalized by the March Board meeting in order to present it to the membership for a vote this year. The Board can also wait to make proposed changes to the Bylaws next year.

#### THOUGHTS ON THE PPC FISH FUNDAMENTALS

CEO Case asked if the Board thought it was worth the time to attend the training held last month in Idaho Falls. The consensus was that it was worth the time. CEO Case had set up a meeting with Fall River and three other utilities in combination with a Fall River Board meeting held directly after the Fish Fundamentals. The Directors indicated they would have liked some more time to talk and associate with the other boards' members, but there was a consensus that the meeting was well-received and very thorough. Director Key stated that he would like to see a broader perspective. CEO Case had tried to get a NOAA scientist who worked on the biological side of aquatics, but the timing didn't work. CEO Case forwarded the name and contact information to ICUA and suggested NOAA be asked to address the ICUA group at the annual meeting. Case discussed the highlights of the presentation. 80% of a salmon life cycle is in the ocean, and salmon populations were a concern 30 years before the first dam was installed. Since tracking populations, the last several decades have shown significant increases in returns for most salmon populations. Changes to fish passages has resulted in above 96% survival and is comparable to free-flowing rivers with salmon. Factors including commercial harvest, sportsman and tribal taking, pollution, habitat, predators, and primarily ocean conditions, impact the number of returning salmon. After the meeting, the reports from the other electric utilities who participated indicated that they appreciated the opportunity to participate. CEO Case committed to work on setting up a similar meeting next year, nixing the Board meeting so there would be more time for networking.

#### ANNUAL MEETING PREPARATIONS

##### NOMINATING COMMITTEE MEMBERS AND MATERIAL

CEO Case said we have a Nominating Committee established and the meeting will be held on March 20<sup>th</sup>. NWPPA Director Anita Decker will be the key note speaker at the Annual Meeting.

## ANNUAL MEETING TIMELINE

The timeline was reviewed.

### MECA SCHOLARSHIP RECOMMENDED

Candidate Alexis Garner was submitted to MECA for Fall River's student applicant. We have invited the other applicants to apply for the regular Fall River High School Scholarships.

### SCHOLARSHIP APPLICATIONS DUE MARCH 29<sup>TH</sup>

CEO Case discussed that Fall River provides 30 scholarships annually, valued at \$600 per year up to 4 years or \$2400. The application cut off is March 29<sup>th</sup> and the applications are accessible on Fall River's website. In addition, CEO Case personally funds an Energy Partner Scholarship for \$1,000 which is drawn at the annual meeting. Please encourage those you know who may be heading to college or trade schools to apply. One scholarship is set aside for lineman school, so if you know any young men or women interested in attending, encourage them to apply.

### YOUTH RALLY APPLICATIONS DUE APRIL 12<sup>TH</sup>

Please encourage students to apply. This is a great leadership opportunity and each youth rally participant will get at least a \$500 scholarship from Fall River and may receive more through ICUA.

### UAMPS – NUSCALE TOUR IN CORVALLIS, OR

Doug Hunter of UAMPS invited Fall River to attend a tour of NuScale facilities including a mock control room and models showing how the small nuclear generator will work. CEO Case encouraged Board Members to go in an effort to gain a better understanding of the project which will be located in INL. UAMPS will cover some of the travel expenses. Directors Draper and Behrens volunteered and said they would like to attend and will report back to the Board.

### BRYAN CASE ELECTED TO PPC BOARD OF DIRECTORS FOR PNGC

He said he has been the alternate on the Executive Committee and he was recently elected to become an official Board member and he accepted the position. There will be a little bit more traveling. He thinks it will be pertinent as they work with BPA and help Fall River in the navigation of the new contract coming up in the next 5 to 10 years.

### PROPANE SAFETY LEGISLATION

CEO Case appreciates the help and support offered on this legislation. It has passed the House and will now go through the Senate. If it passes the Senate, it will be sent off to be signed by the Governor to be official. We may need some more letters of support. A member of the Northern Lights Board, Elaine Shirley, is going to be carrying the bill on the Senate side. She has a cabin in Island Park, and she is very supportive of Fall River.

### MECA LEGISLATIVE UPDATE

Montana legislation was discussed including patronage capital, invasive species, net metering, and other legislative issues.

### WREA LEGISLATIVE UPDATE

Wyoming is also addressing legislation on net metering and customers' concerns over unsubstantiated health impacts of smart meters using radio frequency to communicate.

Fall River uses a power line carrier to communicate meter data which has no health implications. There is also proposed legislation to limit damage costs due to fires caused by an electrical utility.

#### ICUA

ICUA has proposed legislation on patronage capital and propane safety. In addition, there is proposed legislation revising the dig law and the responsibility of the utility to mark the primary lines correctly as well as the secondary service lines which may include member or customer owned facilities. Negotiations with the Treasury department are progressing and the goal is to allow cooperatives to retain unclaimed patronage capital to use for the members or the communities in its service territory. Currently, Fall River's Bylaws state that after 5 years, members' unclaimed patronage capital revert back to the Cooperative. This mirrors the proposed legislation.

#### NCSC BOARD SEAT VACANCY

Fall River personnel are currently serving on the CFC, NRECA, NWPPA, and MECA Boards. The Board discussed the value of serving on National and Regional boards. It is good to represent Fall River Electric and participants bring back pertinent, timely information for Fall River to use. Director Hanson said he would like to revisit a change to the Cooperative's Bylaws to allow a FR Board member to finish out their term when serving on national or regional boards. To get on a national board, you usually must be a director for several years. He would like to see an exemption for being able to finish seat terms on national and regional boards and pause Fall River's term limits to accommodate this. This would require members to vote for a change in FR's Bylaws.

#### PUBLIC POWER COUNCIL (PPC) STRATEGIC DIRECTION AND PRIORITIES

CEO Case said he participated in the PPC strategic planning process. The Executive Board is comprised of large PUDs, municipalities, and cooperatives. In preparation for the meeting, PNGC conducted a survey asking the Board to rank priorities for the future. The top items included the 2020 rate case, if BPA would be competitive in 2028, energy efficiency, cost allocation of the dams, participation in EIM and regional transmission, fish costs, and the Columbia River Treaty. PNGC's direction is to suggest cost-controlling measures in the short-term while striving to keep BPA competitive beyond 2028. We need to know what the structure/rules are going to be ahead of time or at least by 2024. PNGC is putting pressure on BPA to have these answers soon.

CEO Case reported that he has been assigned to rates and long-term planning committees within PPC.

#### EXECUTIVE SESSION

**Vice President Robson made a motion to go into Executive Session at 12:45 pm.**

**Director Hanson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

**Director Hanson made a motion to go out of Executive Session at 1:10 pm. Vice**

**President Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### MANAGEMENT DISCUSSION ITEMS

YEAR END RECAP OF WORK PLANS AND GOALS 2018

CEO Case reported that we completed 82% of the goals that we set out to accomplish. He reported that we were short on the accounts receivable goal, mainly due to propane receivables. The hydro generation goal fell short, and the target on follow-up calls within 7 days on propane services was just missed. CEO Case explained the KRTA report shows we are making great progress in measuring ourselves compared to other utilities our size. The goal of pinging meters before we roll a crew saved us \$24K, the audits on pole attachments brought an additional \$9.1K, the dig-ins audit saved \$881. The video conferencing saved \$3.5K. Increases in propane customers and gallons sold brought in \$161K, and outage reduction compared to the state was worth \$330K. We saved over half a million dollars by attempting these goals.

CEO Case asked if there were any questions or comments on the Work Plan items. There were none. He was very impressed with staff accomplishments in 2018.

#### REVISED MEMBERSHIP AGREEMENT

Last month, we discussed Purchase of Power agreements. Sheena Stricker is working on the updates. Vice President Robson asked for staff to look into the verbiage in line #6.

#### HYDRO FACILITIES UPDATE

##### BUFFALO

Is producing well.

##### FELT

The Operating Report was presented, and we are still doing well. CEO Case stated that he was very glad we have Felt under Fall River's control.

##### CHESTER STATOR/RUNNER UPDATE

Staff is going to experiment and try to drop the rubber dam to see if they can get the ice out of the way. They will attempt to get the river opened up. All 3 turbines are ready to go and hopefully we may get it operating soon.

##### ISLAND PARK

Is operating, but we are still waiting for the small blower to be installed and we are still spilling to help increase dissolved oxygen levels. When we get the blower system repaired, we should be able to use all the water being released for generation.

#### BPA METERING DIAGRAM

Currently, Rocky Mountain Power is on Fall River's system to keep Ashton on while they work on their transmission line from St. Anthony to Ashton. CEO Case talked to BPA about the meter readings and there has been an error found and an adjustment made to our billing. Fall River is being used to balance Rocky Mountain loads.

#### MECA USB

The Fall River Helping Hands program was set up in order to not have to send our assistance money to Montana State. In doing so it directly benefits our members. In the past, the money was distributed widely; it didn't help people on our system.

#### DONATION REPORT

Donations to worthy local causes was discussed.

## PNGC ACTIVITIES

### PNGC BOARD MEETING

Comments on the BPA rate case were presented in the Board Packet.

### PNGC BPA BP-20 RATE CASE COMMENTS

There is a term sheet that has been approved and work is being done to protect the pool. There are some ideas included for large users coming on the system. Under these terms, we would be able to go to market for additional loads if we had a request for a large service.

### ACRE 100% BOARD AND MANAGEMENT CERTIFICATE

We have received the certificate for 100% participation of Management and Directors last year. We are just short for contributions in 2019 but plan to have 100% participation this year. In addition, there have been other Fall River member/employees participate.

### DEMAND READINGS

Demand information will be printed on members' bills. Discussion on demand issues was held.

## REPORTS

### BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

Vice President Robson reported that they will schedule an Engineering and Operations Committee meeting soon.

There were very few outages this month when considering the weather lately.

Discussion on the calendar was held. CEO Case asked if there were any others willing to go to the Legislative Session. Director Behrens said he would go as did Director Draper.

## ADJOURNMENT

There being no further business, **Director Hanson moved that the meeting be adjourned. Vice President Robson seconded. BY CONSENSUS, THE MEETING WAS ADJOURNED AT 1:35 p.m.**

DATE APPROVED: March 25, 2019

  
Secretary Dede Draper