

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

August 28, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, August 28, 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. Lead Member Service Representative Kathy Bollinger recorded the minutes. The invocation was given by Georg Behrens. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Doug Schmier, Vice-President Ralph Burton and Secretary/Treasurer Dede Draper

DIRECTORS PRESENT

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

DIRECTORS ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Lead Member Service Representative Kathy Bollinger, Member Services Manager Brand Hathaway, Accounting Manager Linden Barney, Engineering Manager Dave Peterson, Lineman Jeremy Banta, Accounting/Payroll Roz Jenkins. Also in attendance was Attorney Jerry Rigby.

APPROVAL OF AGENDA

Director Brent Robson made a motion to approve the Agenda. Director Jay Hanson 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 July 24th, 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 Strategic Planning Minutes for August 7th, 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, vouchers, safety reports, and patronage credit reports. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BOARD REPORTS

Director Jay Hanson (CFC) reported on upcoming meetings. CFC Bond issuances have performed well in the markets comparable to fortune 500 companies and is indicative of the market confidence in the electric Cooperative's model.

Director Dede Draper reported that GM Case and Director Draper participated in an ICUA conference call. Topics included: 1. ICUA is working with the water users group on a white paper for the Columbia River Treaty with some great progress being made in finding consensus among the various Idaho stakeholders; 2. Is ICUA meeting current staffing meeting the needs? Based on member utilities input, having an executive director and then sharing other administrative duties between the members seems to provide adequate coverage at a reasonable cost; 3. Fall River Electric and other transfer customers have paid Bonneville Power transmission costs over the past 50 years and have not been connected via transmission to BPA's generation or main transmission network. Fall River and others are looking at ways to ensure BPA is committed to providing continued transmission services beyond 2028.

MEMBER COMMENT

GM Case reported concerns from members about increased blinks and loss of power in the Teton basin. An article of explanation was posted in the Teton Valley News. Bonneville Power Administration (BPA) has been working on a long-term repair project at the Drummond substation and capacitor banks are the root of the issue. Fall River staff and BPA have identified the issue and BPA is committed to making operational changes.

FINANCIAL AND STATISTICAL REPORTS

JULY 31, 2017 FINANCIAL REPORTS – Staff reported net margins, through July 31st are \$187,000 better than budget. The main driver for the increased margin continues to be increased kWh sales net of power costs. kWh sales year-to-date are the highest since 2008. Labor and overhead are above budget, but are expected to be in line by December and is due to a few large outages in January and February. Other significant variances include paying less for consultants on the natural gas study and the membership survey. Cash flows for July include \$338k spent on plant and \$463k of principal payment on long term debt (CFC). Year-to-date (YTD), we have paid down \$1.7 million in principal and

have drawn \$4 million on the line of credit. YTD, we have spent \$1.2 million on our capital budget.

Director Jay Hanson made a motion to approve the Financial Reports. Director Brent Robson seconded. A voice vote was held; THE MOTION CARRIED BY UNANIMOUS VOTE.

RECOMMENDATION FROM FINANCE COMMITTEE FOR AUDIT FIRM 2018 TO 2020

Director Brent Robson made a motion to approve the contract with the audit firm DeCoria, Maichel, Teague, as recommended by the Finance Committee for years 2018 – 2020. Director Ralph Burton seconded. A voice vote was held; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

GENERAL POLICIES FOR REVIEW AND APPROVAL

The Policy Committee recommended that the board approve General Policy #619 Holidays. Following discussion, **Director Jay Hanson made a motion to approve General Policy #619. Director Dede Draper seconded.** A voice vote was held; THE MOTION CARRIED BY UNANIMOUS VOTE.

The Policy Committee recommended that the board delete General Policy #103 Management Committees. Following discussion the board felt a policy was not needed to direct or authorize the manager to set up management committees, **Jay Hanson made a motion to delete policy #103. Director Dede Draper seconded.** THE MOTION CARRIED BY UNANIMOUS VOTE.

STRATEGIC PLANNING HIGHLIGHTS REVIEW

The minutes and action items from strategic planning are included in the board packet. Discussion on the by-law change concerning patronage capital was held. Due to recent class action litigation, it has been recommended by NRECA and Attorney Rigby to update the member by-laws to allow for members who permanently leave Fall River's service territory to payout their assigned patronage capital on a discounted basis. A proposed by-law change will be presented to the membership at the Annual Member Meeting in June, 2018. Member approval will be required to make this change.

GENERAL BOARD POLICIES LIST – DIRECTION FOR POLICY COMMITTEE

There was discussion about what should be Board policy and Management policy. The consensus of the board was Fall River's current practices are working and to leave them as is.

CYBER SECURITY TRAINING, PHISHING E-MAIL AND SMART METER HACKING UPDATE

Shannon Hill, IT Manager, presented a video, "Examples of Phishing". Linden shared the email he recently received with a PDF attached, which appeared to be from a valid email address. It proved to be a "phishing" email and he caught it because it was not expected. Cyber security training will continue at Fall River and the board will be included in ongoing training.

Airport wi-fi is open for others to see and so staff recommended being alert and not using airport or unsecured wi-fi to conduct sensitive business, like make payments, or access bank accounts, etc.

Hacking into smart devices (meters) has been in the news. The meters Fall River Electric have in place, do not relay the information through radio frequency and therefore are significantly more secure.

PROPOSAL FOR RETIREMENT OF PATRONAGE CAPITAL WITH THE OPTIONS
A thorough discussion was held.

Director Ralph Burton made a motion to accept the staff recommendation for Patronage Capital options. Director Debbie Smith seconded. A voice vote was held; MOTION FAILED.

REVIEW OPTIMAL EQUITY ANALYSIS

GM Case shared a PowerPoint titled "What is Patronage" and discussed how equity is calculated and why it is important. GM Case introduced the Key Trend Ratio Analysis and used a few of the industry equity ratios to compare to Fall River. These ratios and industry benchmarks show Fall River has made great progress in improving the financials of the Cooperative. Currently, Fall River's equity ratio is 37% and the US median for Cooperative's is 45% and the State of Idaho median is a 61% equity ratio. CFO Linden Barney explained where Fall River Electric cooperative fits within the analysis. GM Case proposed that Fall River set an equity ratio range of no less than 35% and no more than 45% with a target equity of 40%. Each year as the board reviews the 10-year financial forecast and approves the annual budget, they will have the opportunity to assess and adjust the target equity position.

Director Jay Hanson made a motion to accept staff's recommendation that Fall River establish an equity ratio range of no less than 35% and no more than 45% with a target equity of 40%. Director Dan Skene seconded. A voice vote was held; MOTION WAS APPROVED

REVIEW BUSINESS PLAN FOR COMMUNITY SOLAR

After thorough discussion, it was decided the plan for community solar would be put on hold for now. It was recommended to not ask for member investment until we know the members are more interested.

REVIEW BUSINESS PLAN FOR DISTRIBUTIVE GENERATION – SCHOOLS

After thorough discussion, **A motion was made by Director Dan Skene to proceed with a business plan for Solar for Schools. Director Georg Behrens seconded.** A voice vote was held; MOTION APPROVED

REVIEW BUSINESS PLAN FOR BACK-UP GENERATION

After thorough discussion, it was decided that this is too costly for the Cooperative and there is not enough interest by members, to establish a program to assist members with backup generation.

CALL TO ACTION – SUPPORTING OBAMA ADMINISTRATION BIOLOGICAL
OPINION HR 3144

HR 3144 has been proposed and we have been asked to lend Fall River's support in getting the legislation reviewed and acted upon. There was discussion and the board agreed to add their support to the legislation.

RESOLUTION 639 SUPPORTING FEDERAL LEGISLATION HR 3144:

Director Jay Hanson made a motion to adopt Resolution #639 Supporting Federal Legislation HR 3144. Director Debbie Smith seconded. A voice vote was held;
MOTION APPROVED.

LETTER TO FEDERAL DELEGATES HR 3144:

In addition to the resolution, the board signed individual letters to Idaho's federal delegates seeking their support of HR 3144.

FREMONT COUNTY COMMISSIONER BILL BAXTER REPORTING

Commissioner Baxter was unable to attend due to the Commissioner's meeting occurring at the same time. He did call in and express his sincere apology and requested to be included at another time.

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

MANAGEMENT DISCUSSION ITEMS –

FELT HYDRO INFORMATION was included in the packet.

GRAND TARGHEE BACK UP GENERATION UPDATE: GM Case reported that Geordie Gillette is still interested in back up generation for Grand Targhee. Attorneys are working together on the agreement and Jerry Rigby is waiting for the agreement to be returned. The generator could have been involved in Hurricane Harvey so it will have to be tested. Testing is scheduled for mid-September.

NEW FALL RIVER WEBSITE PAGE: <http://www.fallriverelectric.com/river-web-cam/>
This has been used by several individuals and the input is positive. The only downside is the number of manual updates needed. IT Manager Shannon Hill is working towards an automated resolution.

REPORTS

BOARD COMMITTEES

ADMINISTRATIVE COMMITTEE CHAIR: nothing to report.

ATTORNEY RIGBY REPORT: A highlight of the legal seminar will be presented for the September board meeting.

MANAGEMENT REPORT: included in the packet.

New construction responsibilities have been temporarily shifted. Randy Wakefield is now taking care of the Island Park area and Brent Gamett is helping in the Basin area in addition to the local and south area. The crews need to be commended for working with the members during the new construction and maintenance work orders.

CRC update. Over the weekend, a call was placed into CRC by Teton dispatch and the wrong crew was dispatched. GM Case was able to contact the correct lineman so this could be taken care of.

POLICY COMMITTEE: will meet again before the September Board meeting.

The Calendar was reviewed with the following notations:

09/08/2017 Member Appreciation will be held at the West Yellowstone office. 11:00 – 2:00. All board members are encouraged to attend if possible

10/2-3/2017 PNGC Annual Meeting. Recommended that more than one board member attend because of the proposed blended rate business model. Available board members that can attend: Director Dede Draper, Director Ron Dye, Director Ralph Burton and/or President Doug Schmier.

ADJOURNMENT

There being no further business, **Director Jan Hanson moved that the meeting be adjourned. Director Brent Robson seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 3:27 P.M.

DATE APPROVED: September 25, 2017


Secretary, Dede Draper