

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

May 23, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, May 23, 2016, at the main office of Fall River Rural Electric in Ashton, Idaho. Determining a quorum was present, President Jay Hanson called the meeting to order at 10:00 a.m. Executive Assistant Cathy Meeks recorded the minutes. The invocation was given by Dan Skene.

ATTENDING  
OFFICERS

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

DIRECTORS  
PRESENT

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

DIRECTORS  
ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, CFO Linden Barney, and Engineering Manager Dave Peterson

Also attending, Jerry Rigby, Attorney.

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

**Doug Schmier made a motion to approve the expense vouchers submitted for payment. Dan Skene** seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## APPROVAL OF MINUTES

MINUTES OF APRIL 25, 2016, BOARD MEETING

**Following a review of the minutes for April 25, 2016, Dan Skene made a motion to approve the minutes as corrected. Ralph Burton** seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## CONSENT AGENDA

**After review, Boyd Bowles made a motion to approve the consent agenda. Brent Robson** seconded the motion, which included the Memberships, Purchase of Power Agreements, check report, vouchers, safety report, and capital credit report. Following discussion and hearing no objections, THE MOTION CARRIED BY UNANIMOUS CONSENT.

## MEMBER COMMENT

GM Bryan Case distributed an email complimenting staff. In addition to the email, as the testing on Chester hydro has been going on, staff was complimented for stepping up and going above and beyond to help out. President Hanson also relayed a member compliment to staff.

GM Case discussed Mike Lawson's blog in relation to the testing at Chester. There were a number of errors in the blog and GM Case will try to connect with Mr. Lawson to get his perspective and provide some clarification.

Some members in the Driggs area have expressed appreciation that the Annual Meeting will be held at Teton High School.

## FINANCIAL AND STATISTICAL REPORTS

### APRIL 2016 FINANCIAL REPORTS –

Staff reviewed the financials and discussed variances. While operating revenue was down 1.5 percent the Cooperative's total cost of electric service was 2.9 percent less than budget, which resulted in net margins exceeding the budget by \$136,000. CFC debt has also been paid down by another \$280,000 year to date. GM Case reviewed some of the long term financial goals, noting what steps have been taken to meet those goals. Capital budget expenditures are at 25 percent of the budget for the year. Discussion took place on how the proposed consolidation could positively impact the equity ratio for a combined cooperative.

### FALL RIVER ENTERPRISES LOAN –

GM Case presented the loan note and amortization schedule, which had previously been approved by the board for Fall River Propane's expansion. **Ralph Burton made a motion to allow the distribution of funds to Fall River Enterprises (FRE). Boyd Bowles seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Dan Skene and GM Case reported on the budget for expansion into Alpine, Star Valley, and Swan Valley. Dan Skene, who serves on the FRE Board of Directors, reported they are currently gathering names to replace the Island Park board position vacancy, and still gathering names for the Wyoming board position that was just added.

## COOPERATIVE BUSINESS

### 242 LEGISLATIVE UPDATE -

GM Case introduced the two lobbyists contracted to work on FRREC's behalf on the 242 application, who were participating via conference call. Lobbyist David Horne, estimated a payment of \$150,000 for FRREC, which will be a prorated distribution over three years from the U.S. Department of Energy. Future hydro facilities built on existing dams can qualify for section 242 funding. The lobbyists anticipate the dollar will go up as the allocation goes up, but funding will need to be allocated and funded every year. GM Case gave clarification on questions.

### POSSIBLE CONSOLIDATION BETWEEN FALL RIVER AND LVE -

#### MAY 11, 2016, MEETING WITH BPA –

GM Case gave a summary of how well the May 11, 2016, meeting with BPA went. Attorney Jerry Rigby, who also participated in the meeting, also felt the meeting went well. BPA will see how they can make it work if there is a consolidation. If Beartooth Electric decides to participate in the consolidation, BPA could not provide TIER1 power, but was willing to discuss selling excess power to meet Beartooth's load. Beartooth is not in BPA's service area.

Discussion ensued regarding PNGC and the changes that are being made with the new CEO. At a recent PNGC meeting, the question of how administrative costs were being allocated was raised, and following the inquiry, PNGC determined a change would be made.

### UPDATE ON E3 CONSOLIDATION AND MEMBER RATE ANALYSIS –

GM Case reported staff is working on the analysis with LVE. The results will not be available until July. The question of why LVE is doing the analysis was raised. GM Case felt this was just another step in the process, double-checking the EES study, and to have more documentation for FRREC and LVE members, confirming the savings and the long-term benefit to the members. GM Case anticipates the next meeting with LVE will probably be scheduled in August. Some discussion ensued about other co-ops who have consolidated, as well as how other co-ops considering consolidation are looking to FRREC and LVE as an example or guide.

### ANNUAL MEETING PREPARATIONS –

#### SCHEDULE FOR THE DAY –

GM Case went through the schedule for the annual meeting day, with a reminder to the board that the board meeting will start at 8 a.m., with the business meeting beginning at 10 a.m. This year, members' questions will be submitted on note cards included in the

member bags. The finance department will sort through the questions and categorize them into topics in an effort to streamline this process.

#### BUSINESS MEETING AGENDA –

GM Case went through the business meeting agenda, noting changes made. A script outline will be provided for reports. Gray shirts are to be worn.

#### ANNUAL MEETING HIGHLIGHTS –

GM Case reviewed the Annual Report being mailed out to all members. A separate expanded list of accomplishments will be included in member bags at registration. A reminder was given to directors that there will be pictures with scholarship winners directly after meeting. Talking points and FAQs will be sent to the board for reference in speaking with members on that day. Dan Skene will help with the drawings for prizes. Again this year, a Husqvarna chain saw will be given away for the safety drawing; Helping Hands booth will have a drawing for a NEST thermostat; Fall River Propane will be giving away a smoker and “fill your cylinder” coupons; and the Conservation booth will be handing out shower heads and led light bulbs.

#### NRECA LEGISLATIVE CONFERENCE –

Dede Draper reported on her experience of attending the NRECA Legislative Conference for the first time. The Meetings with agencies (BLM, RUS, and U.S. Forest Service) were interesting, as was the timing and redundancy of different agencies doing the same thing. Brent Robson reported that it was good to meet with legislative staff and discuss issues important to Fall River and its members. While in Washington, D.C., Fall River had the chance to congratulate the new Deputy Administrator to BPA, Dan James. The Columbia River Treaty may impact irrigation water rights and is costing regional electric rate-payers significantly. Attorney Rigby gave some input and clarification. Discussion continued on the impact on rate payers and flood control.

Those that attended felt the value of going was in meeting the legislative representatives and their staff, along with networking with other co-ops. Board members were encouraged to go to any local meetings, to meet with these folks, so they know who we are and what we stand for.

#### IRRIGATION DEMAND RESPONSE PILOT –

GM Case reported the Irrigation Demand Response Pilot is currently underway with 1 large irrigator, another large irrigator is looking at it as well as a number of smaller irrigators.

#### MILLER POND AND EFFORT TO REPLICATE TEXAS SLOUGH SUCCESS – RECAP OF TEXAS SLOUGH –

Due to the success of the Texas Slough project, it has now become a model for future projects. Fall River Electric has recently been approached to do a similar project at Miller’s Pond.

#### PROPOSAL FOR MILLER POND –

GM Case reviewed the proposal that was submitted for burying the wires underground as was done at Texas Slough. If there is support for a crowdfunding approach, FRREC will promote the project and partner as we did with the Texas Slough project.

#### POWER SUPPLY ITEMS –

##### JUDGE SIMMONS BI-OP RULING –

GM Case reviewed the summary that was distributed regarding Judge Simmons ruling on the Bi-Op. He expressed the concerns public power has with the ruling and discussed possible remedies. Likely this matter will be appealed to the Ninth Circuit Court. As more details become available, GM Case will keep the Board up to date. Attorney Jerry Rigby gave some additional clarification on the process, and the domino effect that the decision will have.

#### PNGC STRATEGIC PLANNING –

Items to be covered at the PNGC Strategic Planning meeting in June will include: Administrative costs, high-water mark pricing, and how all members can gain benefits and value from being a member. GM Case will report next month following the meeting.

#### ICUA STRATEGIC PLANNING DISCUSSION –

GM Case reported ICUA has taken step one on strategic planning. He felt it went well, considering this was the first step. President Hanson also commented and reviewed the five areas that were covered.

#### TREE-CAUSED OUTAGE TREND –

Staff reported this project of reclaiming line clearances started about six years ago. This goal and project has significantly reduced tree-caused outages, and now most outages are due to trees outside of easements. Maintenance will be ongoing, but staff is starting to see the benefit of the investment, with reduced outages and fire hazards. Some discussion took place on clean-up efforts and the process. Additional clarification on the easement with the U.S. Forest Service is needed. Appreciation to staff was expressed for the impressive job that has been done.

#### EXECUTIVE SESSION

**Brent Robson made a motion to go into Executive Session. Ralph Burton seconded.**

A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

**Dan Skene made a motion to go out of executive session. Brent Robson seconded.**

A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### FOR YOUR INFORMATION -

##### DAN JAMES APPOINTMENT TO BPA DEPUTY ADMINISTRATOR POSITION –

A new release discussing the appointment of Dan James as the BPA Deputy Administrator was included in the board packet.

#### NRECA YEAR IN REVIEW 2015 –

GM Case touched on a few highlights on the services and value of NRECA.

## REPORTS

### MANAGEMENT REPORT:

GM Bryan Case gave a summary of the management report, which was included in the board packet.

### ADJOURNMENT

There being no further business, **Brent Robson moved that the meeting be adjourned. Dan Skene second.** By consensus, the meeting was adjourned at 3:42 p.m.

DATE APPROVED:

6/20/2016

Debbie Smith  
Secretary, Debbie Smith