

MINUTES OF THE ANNUAL MEETING
OF MEMBERS OF
FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.

JUNE 11, 2016

Fall River Rural Electric Cooperative, Inc. held the Annual Membership Meeting on Saturday, June 11, 2016, at Teton High School, 555 Ross Ave., Driggs, Idaho.

CALL TO ORDER

Board President Jay Hanson called the meeting to order at 10 a.m. and Executive Assistant Cathy Meeks recorded the minutes.

PLEDGE OF ALLEGIANCE

President Jay Hanson welcomed all and thanked everyone for coming. President Hanson also expressed appreciation to those who helped make the meeting a success. Boy Scouts of America Troop 82 from the Teton region performed the posting of the colors and led the Pledge of Allegiance. Members of the Teton High School Choir followed with singing the National Anthem.

INVOCATION

The invocation was given by Bishop Jim Douglas of Tetonia.

WELCOME & INTRODUCTIONS

A welcome was given to all the members, special guests Beth Looney, PNGC Administrator, and Gary Wiens, MECA, along with the Board of Directors, candidates & incumbents and employees. President Jay Hanson outlined the agenda as it would follow.

The appointment of the election judges, parliamentarian and the sergeants of arms were announced.

Those appointed were: Chief Election Judge - Patricia Sturm, Parliamentarian - Attorney Jerry Rigby, and Sergeants of Arms - Brent Gamett and Randy Wakefield. Election judges were Bonnie Reece, Gary Henrie, Grant Kent, and Randall Foster.

DETERMINATION OF A QUORUM

Chief Election Judge Patricia Sturm, reported a quorum was constituted with a total of 1,907 voting members at the close of registration.

READING OF THE ANNUAL MEETING NOTICE & MINUTES

Board of Directors Secretary/Treasurer, Debbie Smith, read the certificate of mailing and then asked if the members would like to abstain from the reading of the minutes of last year's annual meeting held June 13, 2015, calling for a motion from the floor. **A motion was made by Cal Dayton to abstain from the**

reading of the minutes, and was seconded by Alan Smith. A VOICE VOTE WAS TAKEN, THE MOTION CARRIED BY UNANIMOUS VOTE.

Secretary/Treasurer, Debbie Smith, then called for a motion from the floor for approval of June 13, 2015, Annual Meeting Minutes. **A motion was made by Cal Dayton to approve the minutes of the June 13, 2015, as submitted, a second was made on the floor.** A VOICE VOTE WAS TAKEN, THE MOTION CARRIED BY UNANIMOUS VOTE.

NOMINATIONS COMMITTEE REPORT

The Nominating Committee Secretary, Bonnie Reece, read the minutes and reported on the nominations committee meeting was held March 23, 2016, at Fall River Electric Co-op's main office in Ashton, Idaho. The purpose of the meeting was to select candidates from the membership to run against the incumbents for the three director positions up for election this year.

The committee included Andrea Marion, Bonnie Reece, Gary Henrie, Gary Marsden, Gene Ransom, Grant Kent, Randall Foster and Shirley Butler.

The committee completed their duty by nominating candidates to run in the three districts up for election this year including District 4 – West Victor, District 7 – Island Park, and District 9 – West Yellowstone.

INTRODUCTION OF CANDIDATES

President Jay Hanson introduced the candidates and incumbents from each district, asking each of them to give a brief speech. Incumbent in District 4, Debbie Smith; candidate in District 4, Ken Dunn; District 7 incumbent, Ron Dye; candidate in District 7, Dennis Kennedy; and incumbent in District 9, Doug Schmier. Following the introductions, each addressed the membership.

ELECTION

Chief Election Judge Patricia Sturm, called for the members to vote and then asked for the judges to begin collecting the ballots. The judges collected the ballots and declared that the voting was closed. Judges retired to count the ballots.

BUSINESS REPORTS

Mike DeCoria, of DeCoria, Maichel & Teague, reported on the Cooperative's Annual Financial Audit, which was previously recorded. Key financial numbers were highlighted and DeCoria commented on the positive financial improvements of the previous year. Mr. DeCoria reported that the cooperative received an unqualified audit, meaning the financial statement as of December 31, 2015, is stated fairly. Management and staff did a great job in preparing for the audit, which went very smoothly.

SCHOLARSHIP PRESENTATION

Director Dede Draper announced the scholarship recipients for 2016 and acknowledged those that were present.

GENERAL MANAGER/CEO REPORT

General Manager Bryan Case expressed appreciation to the Fall River staff for all their hard work, and also thanked the members for contributing to the success of the meeting.

A presentation was shown highlighting accomplishments this past year: improvement in finances, including improvement in equity, reduction in debt, and strategic investments in facilities. Contributing factors to this improvement was workforce efficiency, investment in technology, which also lends to the efficiency. Fiber and advanced meters are a couple of the technology investments which have lent to the efficiency, reduced operating costs, and even additional revenue generated. GM Case spoke about coming together as a cooperative and creating solutions – “it is the Fall River way of doing things.” GM Case also reported on the tree-trimming project, which drastically reduced tree caused outages and improved the Cooperatives reliability. Looking to the future, GM Case reported Fall River Enterprises, the for-profit propane business which is owned by the Fall River Electric members, is doing well and is expanding into Alpine, Star Valley, and Swan Valley. The Helping Hands program is now self-sustaining with 2,442 members contributing. This has allowed Helping Hands to assist 53 families and individuals, paying out \$23,165 in energy assistance to members. As Fall River Electric moves forward to the next greatest thing, the focus will be on providing reliable low cost energy. GM Case ended with a quote by Leonardo Da Vinci: “I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough; we must do.” Fall River is about doing the work that makes the busy lives members lead better, easier, and more convenient.

FALL RIVER ELECTRIC – DIRECTORS REPORT

President Jay Hanson gave the directors’ report for the Fall River Electric Board of Directors. President Hanson addressed the members, confirming Fall River Electric’s focus on conservation, energy technology, quality service, operation efficiencies, and reliability. Looking forward to the future and “the next greatest thing,” Fall River Electric Board of Directors have been considering the possible consolidation with a neighboring cooperative, Lower Valley Energy. President Hanson stated there is still work to be done; the review of a third analysis, a consensus on the MOU, and most importantly, the members’ vote. This consolidation has been looked over the years, and Fall River is looking at it again, to see if there is enough savings to take it to the members for a vote. Two studies have been done, CFC and EES, both stated there could be savings to the members. Once the third study is completed and if it finds that there is enough

savings, then it will be brought to the members. Both cooperatives have expanded services and service territory.

President Hanson discussed the question of “why now?” He shared the thought that the minute you feel comfortable in your business is the minute you are in trouble. Clarification was given for some of the frequently asked questions about patronage capital, impact to retail rates, and why Lower Valley is interested in consolidation. Service territories for both Cooperatives were shown, which showed similar geographic range, and similar demographics. Some of the benefits would be a savings of \$27.8 million over 10 years, an average of \$2.8 million a year. Consolidation is expected to stabilize long term retail electric rates. It is the intent to have the same offices, and the same people to work with. A new cooperative would be formed, as this is not a merger, where one utility is being encompassed by the other. There would be board member representation. Change brings uncertainty, but there are a number of steps being taken to know as much as possible. The E3 study will be completed in July, if that looks good and if the MOU is settled, then the proposed consolidation will be presented to members for discussion and for their vote. The board is conducting its due diligence by having studies completed, talking with utilities who have gone through consolidation, and evaluating the opportunity and risks of consolidation. If the Fall River board feels there is enough savings for the members then they will present consolidation to the members. The members will have the final say.

THE MEETING WAS OPENED FOR QUESTIONS:

Questions were submitted by the members via note cards, which were gathered and then answered accordingly. Some of the topics covered included:

- Consolidation – Just under \$24,000 has been spent so far in evaluating consolidation. Previous studies were looked at first to see if it was worth looking into, once the savings was identified, the original 1990 study needed to be updated. The study cost was split between Fall River Electric and Lower Valley Energy.
- Member meetings – there was discussion on the process of allowing members to ask questions. By submitting questions, it allowed the board of directors to answer more questions and also be able to post them on the website following the meeting.
- Representation if consolidation happens – Director Brent Robson stated that if the consolidation happens it will be a combined board with equal representation. The proposed MOU provides time for the combined boards of Fall River and Lower Valley Energy to have equal say in the large decision like the new cooperative’s name, by-laws, articles of incorporation, and size of its board.
- Power outages – it was requested to have all power outages posted on the website, showing cause and who’s impacted. All outages are shown, as they occur, on Fall River’s website, with the area and the number of members

impacted. Staff also posts large outages on the Fall River Facebook page and provides the cause of the outage. We will explore posting all outages with causes on the website.

- Smart Meters – clarification was given that Fall River Electric does not sell or provide information pertaining to an account other than the member from smart meters.
- Patronage Capital – clarification was given on what it is and if there is a consolidation, it would not affect the members’ patronage capital.
- Consolidation – Clarification was given that if the consolidation happens, Lower Valley Energy will not be giving up the lowest rates in the nation, but by consolidating, both utility rates will lower. Lower Valley Energy is also doing another independent study to make sure the savings will be there for their members in the long-term.
- PNGC – Clarification was given on the separation from PNGC.

RESULTS OF THE ELECTIONS:

Chief Election Judge Patricia Sturm announced the elections results as follows:

District #4 – West Victor Debbie Smith was re-elected with 1,159 votes.
District #7 – Island Park Ron Dye was re-elected with 1,218 votes.
District #9 – West Yellowstone Doug Schmier was re-elected with 1,628 votes

ADJOURNMENT

There being no other business, the Fall River Annual Membership Meeting was adjourned at 11:52 a.m.

DRAWING OF DOOR PRIZES

Fall River Electric scholarship recipients helped with the distribution of the door prizes.

DATE APPROVED: _____

Secretary Debbie Smith