

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

January 22, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, January 22, 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 at 10:05 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Director President Schmier. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Brent Robson, Georg Behrens, Ron Dye, Dan Skene, and Debbie Smith by Teleconference.

DIRECTORS ABSENT Jay Hanson

OTHERS

CEO/General Manager (GM) Bryan Case, Executive Assistant Joni Amen, CFO Linden Barney, Engineering Manager Dave Peterson, Member Services Manager Brand Hathaway, IT Manager Shannon Hill. Also in attendance was Attorney Jerry Rigby and CFC's CEO Sheldon Petersen and RVP Russell Green

APPROVAL OF AGENDA

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

EXPENSE VOUCHERS

**Secretary Draper 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 Robson made a motion to approve the Minutes of December 18<sup>th</sup>, 2017. Director Draper seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

**Director Skene 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.

## MEMBER COMMENTS

GM Case reported on the Patronage Capital letters written by Members P. Anderson and M. Hansen. Mrs. Anderson requested to not receive the paper statement. Currently we are unable to opt a member out due to programming constraints. Mrs. Hansen was very happy to receive the patronage capital payment in time for Christmas.

GM Case said that Mr. Reel, the member who inquired about installing a solar farm, decided to hold off on the project for now.

Director Dye said he talked with a family that indicated they had not seen a patronage capital check. The member had passed away recently. Staff will follow up.

## FINANCIAL & STATISTICAL REPORTS

DECEMBER 31<sup>ST</sup>, 2017 FINANCIAL REPORTS – Staff reported net margins through December 31<sup>st</sup> are \$1.48M 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 are 3.1% under budget mainly because of labor being capitalized due to an increased number of new services.

The Board took action last month to rebate \$500k Patronage Capital back to members, and the numbers do include that action. Fall River set a long-term goal to improve equity from a low of 26% to 38% and it was noted that even after paying out/retiring Patronage Capital to our owners/members, the Cooperative is still over 38% equity. Fall River accomplished most of the capital projects in our last four-year construction work plan. We did carry over a few small capital budget items 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.

Expenditures for capital projects totaled \$3M as of December 31<sup>st</sup>, 2017, of the anticipated \$4.3M annual budget. The Cooperative collected Contribution in Aid which covers the costs for most of the new services and subdivision construction costs.

## FALL RIVER PROPANE LOAN REQUEST

**Director Robson made a motion to approve the note for Fall River Enterprises. Following discussion, Director Draper seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.**

## EXPECTED 2018 PROPANE LOAN REQUESTS BASED ON APPROVED 2018 WORK PLAN

Propane Subsidiary needs the requested funds to purchase equipment and new tanks. The Board is updated on the progress of the propane company annually and it was noted that Propane committed to operate near a reforecast they offered up to the Fall River shareholders. The Board is updated quarterly on Propane's activities and this will continue. Competition is fierce in all areas and yet Propane has secured customers and number of gallons in excess of expectations, but was unable to maintain sufficient gross margins or generate a revenue on service work. Gm Case noted Propane's EBITDA is improving.

## PRE-AUDIT CONFERENCE CALL REPORT TO THE BOARD

Finance Committee Chair Dan Skene reported that the audit will proceed as normal. GM Case was very pleased with the Accounting Department, noting that there have been no audit firm adjustments needed for years.

## UPDATE ON CFC \$10M POWER VISION LOAN

Staff reported that we have received approval from Wyoming Public Service Council and by CFC. The final documents will be submitted this week.

## COOPERATIVE BUSINESS

### STRATEGIC PLANNING - BROADBAND DISCUSSION

President Schmier introduced and welcomed Mr. Sheldon Peterson and Mr. Russell Green.

Sheldon Peterson reported on CFC's broadband perspective. He appreciates Fall River for being a great long-time customer. He absolutely respects and understands the need for broadband service for rural folks and he recognizes the gap in coverage.

Telecommunications lending is not new to CFC; their Rural Telephone Finance Cooperative has been loaning funds for over 30 years, so they have significant experience in this field. Years ago, they had over \$5.8 billion in exposure, but today it is under \$4M. He explained that they have very little risk from Electric Co-ops, but telecommunications services are a different story. He used credit agencies' reduction in bond ratings as an example. The telecommunication industry's business model has changed dramatically as the phone company has transitioned from a regulated monopoly to now primarily providing facilities as a pipeline to deliver services. The technology risk is growing exponentially. It is important to recognize the physical life of assets don't necessary work the same with telecom equipment and with electrical plant.

There is a heavy capital investment needed before cash flow is generated in the broadband business model. Mr. Peterson feels that a frank discussion with members is essential. He also recommended beta testing and using a phased in approach prior to making a major investment. There is also the option of developing partnerships to share expenses and provide value to the infrastructure.

He gave a list of what they would like to see in a business plan prior to approving a loan.

Mr. Peterson said that Fall River has an excellent bottom line. We are in a very strong position right now whichever decision is made. He said he acknowledges the need for this service and would ask that a manageable size and scope be considered. CFC will be there for Fall River on a staged basis. He recommends having an exit strategy if expectations are not met, recognizing the fact we have competitors and knowing the speed of technical advances is a huge risk. The costs to replace the electric infrastructure is high and we shouldn't ignore the fact that there will never be a shortage of things to spend our money on. kWh sales across the board are not growing.

Discussion on the decisions made in the past regarding broadband services was held. New advances in technology have been made, including delivering broadband using white space in TV frequencies. Director Skene mentioned the last time the Board explored providing service, they were hopeful there would be grant money available. Ultimately, the Board decided to hold off until grant money could be used to offset initial construction

costs. GM Case reminded the Board that we had a grant from DOE that financed half of the fiber to our substations and AMI meters.

Mr. Peterson said go in with eyes wide open and don't bet the farm. Jerry Rigby mentioned the pole attachment issue and that each state has different rules.

Recent broadband articles were provided in the Board Packet.

As a straw poll, President Schmier asked if the Board was interested in moving forward with pursuing broadband services. The Board agreed that we should wait for the possibility of grant opportunities to help with capital costs.

GM Case was recently appointed as Vice Chair to the Business and Technology Committee at NRECA. He will have some insight into the government grants available to Cooperatives.

#### APPROVAL GENERAL POLICY UPDATES:

Director Burton reported that the Policy Ad Hoc Committee met and have made recommendations to approve the following updated policies.

**Director Burton made a motion to approve GP #101 Cooperative Policies and Procedures, #413 Job Training and Safety Loss Control, #600 Purposes, Development, And Revision of Personnel Policies, #318 Easy Pay Option, #605 Whistleblower Policy, #606 Physical Examinations, and #611 Employee Training. Director Behrens seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ACRE CONTRIBUTIONS form included in the packet. GM Case encouraged Board members to contribute.

#### CFC VOTING DELEGATE AND ALTERNATE VOTING DELEGATE (INCLUDED IN PACKET)

**Director Skene made a motion for Director Behrens to serve as the CFC voting delegate and Robson to serve as the alternate. Director Draper seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### STRATEGIC PLANNING – GUNNISON COUNTY RC ELECTRIC VEHICLE CASE STUDY

GM Case reported on a white paper included in the Board material and relayed some successes he has seen. One Cooperative bought an electric vehicle for a demonstration at their annual meeting and since has allowed members to use the vehicle for a week at a time. It was a big hit. He said autonomous cars are almost more appealing than electric vehicles. Director Draper added that she talked to a Board member recently who was in favor of it and their members were very encouraging. In order for members to have a positive experience, there needs to be a network of EV charging stations in place.

#### ANNUAL MEETING PREPARATIONS

The timeline, draft agenda, and memo for Fall River's 80<sup>th</sup> Annual Meeting was included in the packet. GM Case reported that he is very pleased that BPA Administrator Elliot Mainzer has agreed to come speak. We have extended an invitation to Governor Otter as well, but he cannot make a commitment until 60 days prior to the event.

GM Case reported that it will soon be time to appoint members to the Nominating Committee as well as a Board Compensation Committee.

#### EXECUTIVE SESSION

Attorney Rigby asked to be excused early because he had an evening meeting in Boise; Executive Session was moved up to 1:00 pm.

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

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

#### MANAGEMENT DISCUSSION ITEMS

##### MEMBER \$500K REBATE UPDATE

Because of the excess kWh sales, a great water year, and being fiscally responsible, Fall River's Board of Directors decided to rebate some of the excess 2017 margins back to the owner/members. Checks will be going out the end of the month.

##### DEMAND READINGS AND BILLING

GM Case reported that we have added more detail on the demand reports. Programming to our CIS software program will be needed before we are able to bill for demand.

Discussion on how to lower your bills when billing for demand was held. Using the Smart App will help track the numbers.

##### BPA DISCUSSION TOPICS

Judge Simmons Spill Executive Summary was included. GM Case reported that Administrator Elliot Mainzer said that we have reached the limit on spending for fish and wildlife. The agency is looking for ways to cut expenses for financial losses due to increased spill rules.

BPA is likely to have a rate increase starting October 2018 for a financial Cost Recovery Adjustment Clause (CRAC) and a fish/spill surcharge. The increase in wholesale power cost to Fall River ranges from a low of \$240,000 to \$960,000. Current expectations are for BPA's wholesale power costs to increase by \$480,000 for Fall River.

##### HYDRO OPERATIONS

###### CHESTER TRASH RAKE OPTIONS AND RECOMMENDATION

Staff submitted an analysis on possible replacements of the Chester trash rake. GM Case said that there are a lot of assumptions included in the analysis. He recommends not spending any more money now and being very careful with the rake we have. Board discussion ensued and the consensus was to continue using the existing rake.

###### ISLAND PARK BLOWERS AND ASSOCIATED COSTS

The costs and licensing were discussed. Inflows are matching outflows at the reservoir; the water situation is looking very good this year so far.

## OREGON AND WASHINGTON BOTH HAVE PROPOSED LEGISLATION ON CARBON TAX/CARBON CAP AND TRADE FOR THE 2018 LEGISLATIVE SESSIONS

GM Case reported the Washington and Oregon State legislatures are considering a tax on carbon and carbon cap and trade. If enacted, power cost could increase and hopefully hydroelectric facilities will be recognized for non-carbon emitting generation.

## ICUA MEMBERS CONFERENCE – DISCUSSION FROM THE ATTENDEES

Director Robson reported he felt the ICUA conference was a success and he appreciated going to this conference for the dialog with our Idaho State representatives. We had half of the legislators there. Director Draper really enjoyed the conference and enjoyed visiting with other folks from the north end of the State. Director Behrens enjoyed the conference as well. Director Dye enjoyed the tour of the Capital and listening to the Governor's State of the State speech. President Schmier reported that they discussed some tax cuts and he discussed Montana taxes as compared to Idaho's sales tax.

## SOLAR FOR SCHOOLS UPDATE

Staff has met with all three schools for the solar project. GM Case said we will have a friendly competition to see which school can raise the most money. Crowd Rise will be used as a fundraising tool as we did with the Swan Safe Project. The goal is to get the arrays installed by summertime. One of the grants we are considering applying for has the curricula included.

## HOLIDAY LIGHTING CONTEST

We had a successful first year with the contest for holiday lighting. There were some beautifully decorated homes and businesses. GM Case was pleased with the participation.

## PNGC PATRONAGE CAPITAL

Fall River's share of the PNGC Patronage Capital for Fiscal Year 2017 was \$77,933.

## REPORTS

FINANCE CHAIRMAN DAN SKENE reported that a conference call for the Pre-Audit was held on January 18<sup>th</sup>.

Director Draper reported that she will not be here at the Administrative Committee meeting February 19<sup>th</sup>. Director Smith was assigned to chair the meeting.

FALL RIVER'S MANAGEMENT REPORT was included in the packet. It was noted that there have been details added to the hydro reports.

GM Case reported that issues on the agenda of NRECA meetings included issues which impact Fall River members; he feels it is worthwhile to serve on this board.

There have been quite a few snow loading outages in Island Park. Crews worked many hours and were encouraged to get recruits for replacement from other areas. Director Dye said that most people understood the issues with snow loading; he heard many compliments on how hard and efficiently crews worked. Snow loading outage issues in Island Park have been addressed by installing spacers and inserting poles to decrease span length as a test. It seems to help.

Discussion on the hydro generation was held. Staff has been successful in efficiently managing spill to get the most out of it.

ADJOURNMENT

There being no further business, **Director Robson moved that the meeting be adjourned. Director Skene seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 3:20 p.m.

DATE APPROVED: February 19, 2018

  
Secretary, Dede Draper