

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

September 17, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, September 17th, 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 10:15 a.m. Executive Assistant Joni Amen, recorded the minutes. The invocation was given by Director Brent Robson. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Ron Dye, Georg Behrens, Jeff Keay, Jay Hanson, Brent Crowther, and Debbie Smith

DIRECTORS ABSENT

None

OTHERS

CEO/General Manager (GM) Bryan Case, Interim Member Service Manager Kathy Bollinger, Manager of Operations Trent Yancey, Legal Counsel Attorney Jerry Rigby, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

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

APPROVAL OF MINUTES

Director Hanson then made a motion to approve the Minutes of the Strategic Planning/Board Meeting August 20 - 21st, 2018, as presented. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Hanson made a motion to approve the Consent Agenda. Vice President 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.

COOPERATIVE REPORTS

Director Keay reported that he registered for the NRECA Winter Directors School.

Secretary Draper attended the West Yellowstone Member Appreciation Day and she enjoyed visiting with the members. She sent an ICUA report via email to the Board.

Director Behrens reported that he will be attending the District 7 & 9 meeting as well as the NRECA Winter Directors School.

Director Hanson reported that, sadly, COO of CFC John Evans passed away recently. They will have service for him soon. Senior staff has been reassigned to cover his position.

Director Crowther will be attending the NRECA Winter Director School as well.

President Schmier went on a trip over seas and he reported that Europeans are keeping up on American Politics. He also attended NWPPA Board Meeting, and they had a speaker on *Board Policy and Conduct* which was very interesting. The Government Regulatory Committee discussed issues that are going well. Anita Decker announced her retirement will be early next year. He thanked the Board members who attended the West Yellowstone Appreciation Day.

CEO Case reported he heard several great comments at the West Yellowstone Appreciation Day expressing appreciation for the Fall River staff, a reliable system, and how affordable Fall River's rates are. A few members expressed concerns regarding our IVR notice for planned outages and made suggestions on how to contact them. Based on those comments, management decided to contact two phone numbers per member, if available, and will use available emails as another way to get the word out. The members were very positive overall. Two members were interested in the cause of momentary outages or blinks. He explained the reason for the blinks and that it means our equipment is operating as designed and, therefore, avoiding long outages if the fault clears. Director Keay added that he had a couple of questions on security and system reliability. He reported that one member recommended focusing on efficiency and on our hydros and also commented on the many members who were proud of the Cooperative and appreciative of the work staff does.

MEMBER COMMENTS

TETON VALLEY FOUNDATION requested a rate decrease.

Director Hanson made a motion to not give a rate reduction as requested by Teton Valley Foundation's Kolter Ice Rink but continue with the monetary donations as in the past. Following discussion, Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FINANCIAL & STATISTICAL REPORTS

- CEO Case reported year to date margins are \$1.3 million better than budget. The biggest variances contributing to the increased margins include \$354K more margins than budgeted for the Felt Hydro, \$123K less year to date in anticipated cost of power purchases through PNGC, \$96K received from the 242 Hydro Incentive year to date which was not budgeted, \$68K under budget year to date in labor and overhead, \$60K under budget year to date for pole testing and tree trimming due to timing, \$283K of patronage from CFC (which is budgeted in October), and \$156K under budget in interest

due to no borrowings for Propane. Fall River did not draw on the line of credit during the winter and spring due to our strong cash position. CEO Case mentioned that for the month of August, the Cooperative had a \$60K loss. However, a loss was budgeted for the month due to the seasonality of power purchases. He noted we are still at just over a 40% equity ratio at the end of August. The Cooperative year to date growth rate in new services is 2.3%. He reported controllable expense lines are 2.9 % under budget year to date and the Cooperative has invested \$2.3M in capital projects which represents only 59% of the total capital budget.

As part of the Cooperative's long-term strategy, work has commenced on the installation of fiber to expand our fiber optics network to several substations. This will significantly enhance our system's security and communications. Currently, there is fiber to 20 Fall River Substations. CEO Case said we would like to install fiber to all of Fall River's hydros for data transfer and cameras for video monitoring.

THE BOARD REVIEWED THE COOPERATIVE 990 FORM. This report includes information that will be submitted to the IRS. The Board reviewed the form and discussion ensued.

APPROVAL OF COBANK \$1M LINE OF CREDIT DOCUMENTS. CEO Case explained the purpose of this line of credit.

Director Behrens made a motion to approve the \$1M Line of Credit with CoBank as presented. Director Draper seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

BOARD PHOTOGRAPHS were taken today.

FALL RIVER POSITION ON HWY 20 ANIMAL OVERPASSES was discussed in depth. CEO Case explained the Cooperative's involvement in the planning process for Highway 20's proposed improvements. Expanding Highway 20 may impact the Ashton office. Turnouts at railroad crossing, speed limits, and congested intersections all impact the Cooperative. CEO Case discussed the Cooperative's involvement with Fremont County Commissioner, the Idaho Department of Transportation, and the Island Park Preservation Coalition (IPPC). Based on staff's involvement and our investigation of the proposals being considered for Highway 20, he stated the Cooperative had taken a position of opposing any proposal which restricts the Cooperative's access to electrical facilities. He mentioned he had been asked what the Cooperative's position was. In one segment of a proposed animal overpass and associated fencing, Fall River has a major 46 kV transmission line and substations near or paralleling Highway 20. Currently, there is access to almost any segment of the Cooperative's system, but the proposed overpasses and fencing would restrict access to facilities. The planning documents contain multiple options and the Cooperative is supportive of many of those options addressing wildlife protection but is opposing fencing as it restricts access to infrastructure. It was noted the Fremont County Commissioners and the Island Park Preservation Coalition are opposed to the animal overpasses. Manager of Operations Trent Yancey is on the IPPC Coalition.

Director Smith asked how this has affected other utilities when they have the same issues. CEO Case said these types of overpasses and fencing are typically located in remote

areas where there is not a significant population or electrical infrastructure and, therefore, had not visited with other entities with this experience. He stated this situation is different and a unique application in the Island Park area. Fall River has seen other restrictions to access in the past and provided specific examples. He felt the Cooperative needed to protect its ability to get to electrical infrastructure to maintain and operate a reliable system.

Director Robson asked if staff has been involved with DOT meetings and planning sessions. Fall River has been included and CEO Case said that when they ask our stance, we are officially opposed to fencing and animal overpasses while being supportive of other proposed wildlife protections.

Other topics included discussion on the impact to private property; when it was appropriate to take a position; support for the animal overpasses; the impact and contention within the community over the issue; and the Fremont county vote in November.

Discussion ensued on the issue and Mr. Rigby said he was very impressed with the discussion on this issue and how the Board freely shared their feelings regarding this issue. He complimented the members of the Board on being well-functioning and he said this is a good example of how a board of directors should work.

Director Hanson then made a motion to officially oppose any proposal which would restrict access to Fall River facilities, at this point in time. Vice President Robson seconded the motion. A voice vote was taken with 5 in favor and 3 against; THE MOTION CARRIED.

BOARD GOVERNANCE TASK FORCE – NRECA. CEO Case stated that at ICUA, many other cooperatives were thankful for the Governance Task Force in coming up with the language of how best to govern our cooperatives. Mr. Rigby explained that most of these issues have been justified in bringing these suggested governance practices forward. He likes having the opportunity to self-assess the Cooperative's governance.

Secretary Draper said she watched an NRECA video on peer review which was very good as well. Director Keay said an external review may be good; he has done that in the past and he feels a self-review might be a little biased. Director Hanson stated that our KRTA from CFC is a very good way to compare how we're doing against the performance of others. Most felt the Board is doing well but felt more evaluation may be beneficial.

Discussion on auditing for fraud and other items was held. It was determined Fall River's annual financial audit combined with the internal audits conducted by the Cooperative's CFO was a good protection for fraud mitigation.

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

RESOLUTION #643 Clarifying 401 K Addendum

Director Hanson made a motion to approve Resolution #643. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

RESOLUTION #644 Supporting NRECA Governance Task Force Report
Director Hanson made a motion to approve Resolution #644. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER VOTING DISTRICTS was discussed. Does it matter that you have more voting members in one district than in another? District boundaries can be moved if necessary. It was agreed that it doesn't appear that it makes sense to change the geographical boundaries at this time.

PATRONAGE CAPITAL PAYOUT DISCUSSION – REMOVE NAMES?
Secretary Draper made a motion to remove the names for early retirement of Patronage Capital and only show the total dollars on the report. Following discussion Director Keay seconded the motion. A voice vote was taken; 4 were in favor and 4 were against. President Schmier broke the tie; THE MOTION FAILED.

REGION 7 OF THE IDAHO REPUBLICANS 46TH ANNUAL RALLY & BARBECUE. CEO Case asked if we should continue to attend these events and said the benefits of going are that we get to know our representatives. Fall River usually sponsors a table. Discussion continued regarding the pros and cons. Director Robson stated that he has gone for many years and the name recognition for Fall River helps when we have issues. Mr. Rigby stated that he believes it is important to be present at these types of events. CEO Case said we have supported Democratic events and noted the Cooperative is willing to attend those as well.

CEO Case reported that CoBank donated \$5,000 to our Helping Hands fund which will be matched by Fall River.

BOARD NOMINATIONS FOR ELECTRIC BOARD REPRESENTATION ON THE PROPANE BOARD and Nominations for Alternate Propane Board Member. Attorney Rigby asked for nominations for a board representative for the Propane Board of Directors. Director Debbie Smith Nominated Dede Draper and President Doug Schmier nominated himself. **A motion to cease nominations was made by Director Hanson and seconded by Vice President Robson.** MR. RIGBY CALLED FOR WRITTEN VOTES AND FOLLOWING A COUNT OF BALLOTS, STATED THAT DOUG SCHMIER WILL BE THE PROPANE BOARD REPRESENTATIVE.

Director Smith then made a motion to have Secretary Dede Draper as alternate. Director Keay seconded the motion. THE MOTION CARRIED BY UNANIMOUS VOTE.

DETERMINE IF THE AD HOC POLICY COMMITTEE has fulfilled its purpose or if it should be a permanent Board Policy Committee. CEO Case explained the purpose of the Committee and that the original purpose was to update and standardize the Cooperative's Policies in a timely fashion. Mr. Rigby felt that it was an exercise that was well worth the effort. He said we should keep reviewing them. President Schmier thanked the Committee for their work, especially Secretary Draper. She expressed concern that we won't have the time to commit to the process of reviewing policy during Board meeting.

Director Smith made a motion to make the Policy Committee a standing committee of the Board. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BOARD COMMITTEE ASSIGNMENTS were presented in the Board Packet. President Schmier asked if anyone had a problem with the Committee assignments to let him or CEO Case know. Director Dye asked who would be the Chairman of Helping Hands. CEO Case explained that it is a separate entity and after the new Member Services Manager is hired that he would invite Fall River staff to participate and then the Fall River Helping Hands Board would go through a nomination process.

WEST YELLOWSTONE MEMBER APPRECIATION DAY - CEO Case reported that there were over 400 hamburgers and hotdogs cooked, so we had a great turnout.

BONNEVILLE POWER ADMINISTRATION Presentation on Rates, Finances and Power Markets: CEO Case reported that he met with Administrator Elliot Mainzer and he said Mr. Mainzer is working with the governors of Washington and Oregon on fish mitigation. He is trying to work with them for a consensus to avoid litigation. The accords were a good course of action, but the tribes didn't agree. We've gone down this road before, and Mr. Rigby feels the Nez Perce have violated the BIOP that has been signed by Congress and he wishes the government would stand by their own agreement.

BPA has proposed wholesale power will increase by 5% and wholesale transmission will increase by 10% as of October 1, 2019, over a two-year period.

SIMPSON LETTER – ENCOURAGEMENT FOR DAMS was sent. CEO Case said that in each of your packets, there is a letter for individual Board members to sign if they agree.

COMPENSATION COMMITTEE RECOMMENDATION went into effect September 1st.

MANAGEMENT DISCUSSION ITEMS

COMMITMENT TO ZERO CONTACTS – NRECA was discussed. A poker chip that expresses Fall River's commitment to safety was passed out to the Board. It will be given to staff at our next all employee meeting in November.

SOLAR FOR SCHOOLS UPDATE – The checks have been issued to the schools and they have paid Bozeman Greenbuild for construction of the solar and wind generation projects this fall. Fall River will assist with the installation and help provide curricula training for the High Schools. Director Keay asked if it would be possible to invite individuals to report on what they learn after the projects are incorporated with the curriculum.

SMART HOME PILOT PROJECT there is a list of the names of the interested members willing to participate included in the packet. Member participants agree to allow Fall River to track usage, and a competition will be used to encourage energy conservation amongst the group participants.

SURPLUS EQUIPMENT SALE list was attached. CEO Case reported the Cooperative received more value than anticipated out of the used equipment and members received a good deal as well.

HYDRO FACILITIES UPDATE

Island Park – Due to blower failure and dissolved oxygen levels being too low, the plant is shut down. The cooler temperatures will help bring the oxygen levels up to established limits, so we will be able to run the plant soon. Staff is getting information to assess several alternatives to just repairing the 25-year-old blowers and then will determine the best long-term option.

Buffalo Hydro is running well. We will shut down in February for scheduled maintenance.

Felt Hydro - The Notice of Intent Filing has been submitted. The Operating Statement was included in the packet. The plant is exceeding budget and operational expectations. We did have a FERC audit on the plant and it went well.

Chester Stator & Trash Rake – The rake has been delivered and it doesn't look like it is going to be a major repair. The stator repair is expected to be completed by the end of October. Automation is being evaluated.

ICUA SAP Letter- Riverside's letter on the peer safety inspection was included in the packet. They really liked how Fall River crews worked well together. The area of concern was housekeeping in the outbuildings and they suggested installing no trespassing signs.

RETAIL RATE COMPARISON was included in the packet and Fall River's retail rates are well below the national average and are also better than the State of Idaho's average. The report is going to be presented in the Flashes.

COMMITTED TO COMMUNITY There is a substantial list in the packet of how the Cooperative provides and serves in our communities.

REPORTS

BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

Finance Chairman Jay Hanson reported that we have a budget meeting on October 12th. The whole Board is welcome to attend.

Policy Committee Chairman Dede Draper said the next Policy Committee meeting will be October 22nd.

NRECA District 7 & 9 will be coming up. Discussion on the CFC voting districts were held.

CEO Case reported that there was an exemption to allow trucks to not stop at the railroad crossing near St Anthony. Other safety issues were also discussed.

We will meet at the Ashton office for the Dam tour on Oct 5th.

ADJOURNMENT

There being no further business, **Director Hanson moved that the meeting be adjourned. Director Robson seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 4:00 p.m.

DATE APPROVED: October 22, 2018



Secretary Dede Draper

Pacific Northwest Generating Cooperative

Certificate of Director Nomination

I, Dede Draper, do hereby certify that I am secretary of Fall River Electric, hereinafter called the "Cooperative," and I further certify that:

The Board of Directors of the Cooperative adopted a resolution nominating Bryan Case as a Director of the Pacific Northwest Generating Cooperative, at a meeting held October 22;

The said resolution was entered into the minute book of the Cooperative;

The meeting was duly held in accordance with the bylaws of the Cooperative; and,

The resolution has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 22 day of October, 2018.


Secretary

(SEAL)

Pacific Northwest Generating Cooperative

Certificate of Designated Membership Representative or Alternate

I, Dede Draper, do hereby certify that I am secretary of Fall River Electric hereinafter called the "Cooperative," and that Bryan Case is the designated membership representative CEO/General Manager of the Cooperative, and that Doug Schmier is the designated alternate of the Cooperative for voting purposes at membership meetings of the Pacific Northwest Generating Cooperative.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 22 day of October, 2018.


Secretary

(SEAL)