

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

November 19, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, November 19, 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 10:10 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Attorney Jerry Rigby. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Brent Crowther, Ron Dye, Jeff Keay, Debbie Smith, with Jay Hanson and Georg Behrens attending by conference call

DIRECTORS ABSENT

None

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, and Executive Assistant Joni Amen

CEO Case reported that the ICUA Legislative Session is coming up in January. The NRECA Annual Meeting will be held in March.

APPROVAL OF AGENDA

**Vice President Robson made a motion to approve the Agenda as presented. Director Smith 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 Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

**Vice President Robison made a motion to approve the October 12<sup>th</sup> Budget Meeting Minutes as corrected. Director Keay seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

**Vice President Robson then made a motion to approve the October 22<sup>nd</sup> Board Minutes as presented. Secretary Draper seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

**Vice President Robson made a motion to approve the Consent Agenda. Director Smith seconded the motion which included new memberships, purchase of power**

**agreements, check register, safety report, and the discounted patronage capital refunds report.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### EXECUTIVE SESSION

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

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

#### COOPERATIVE REPORTS

Secretary Draper reported on the ICUA meeting. She said that there was discussion on broadband and pole attachment. There was also discussion on patronage capital legislation and on the proposed propane container law. CEO Case stated the reason Fall River is in favor of the propane container legislation is primarily for customer safety reasons.

ICUA dues will be a little lower this year. Secretary Draper stated that CEO Case gave an informative report on investing idle ICUA funds. BPA transmission rates were also discussed, and BPA is proposing an average increase of 4% compared to the 10% originally proposed.

Secretary Draper encouraged Directors to attend the ICUA Legislative Conference in January. The Youth Rally will be heavily promoted.

CEO Case stated that last year ICUA was supportive of reforms to the Idaho trespass law which was instituted, and it is having a good impact. The second Nevada constitutional vote for retail choice failed in Nevada which was due to Cooperatives in Nevada educating the public. It also seems like the efforts to legislate retail choice in Wyoming is losing steam. This was one of the major contributors to push for demand billing.

President Schmier reported that NWPPA is searching for a new director. The MECA meeting will be coming up and he plans to attend.

Director Hanson reported on the CFC independent borrowers conference and said he enjoyed it very much. He said Colin Powell was in attendance as was Newt Gingrich. He also reported that the youth speakers were very impressive.

#### MEMBER COMMENTS

Director Draper reported she visited with a member who owns a home in Island Park and is so pleased with Fall River staff and how great an organization Fall River is.

#### FINANCIAL & STATISTICAL REPORTS

CFO Linden Barney reported that we have over 300 new service work orders closed out so far this year.

Year to date margins are \$3.4M which is due primarily to higher than anticipated revenues. Fall River's hydro's have produced more than anticipated due to a good water year. Energy sales are also higher than anticipated. The Cooperative has maintained controllable costs 2.1% lower than budget projections. Repair and maintenance costs have been lower, with much of the labor being charged to work orders. CFO Barney

reported that we have paid down \$3.5M in long-term debt this year. The equity ratio is 41%, and this will be reduced to approximately 40% when patronage capital payments are made to the members.

There are a few work plan jobs outstanding; crews are busy on the Bates to Packsaddle job. The pole inspection process identified some critical reject poles that the contractor was assigned to. They were working on installing fiber but were reassigned to the priority poles.

## COOPERATIVE BUSINESS

### PATRONAGE CAPITAL GENERAL RETIREMENT

Staff has levelized the payments by averaging the anticipated amount over 5 years. From 2018 to 2021 the proposed retirement of patronage capital to Fall River's owners/members is \$1,019,000 for December 2018.

**Director Hanson made a motion to approve the general Patronage Capital Retirement of \$1.019M as proposed. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.**

### PROPOSED BY- LAW CHANGE

CEO Case reported on the recommended By-law change which would reduce the amount of time required for employees wait after employment to serve on the board from five years to three years and require a three-year period before a prior board member could be considered for employment at the Cooperative. The proposed By-law change would be brought before the Members at the June 2019 Annual Member Meeting for their vote.

**Secretary Draper made a motion to approve the proposed By-law change as presented and present it to the members for a vote at the June 2019 annual meeting of the members. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.**

### FALL RIVER'S SUSTAINABILITY & ENVIRONMENTAL EFFORTS

CEO Case provided a report on the many efforts Fall River has engaged in to limit its impact on the environment and efforts to be sustainable long-term. The list of efforts to reduce, reuse and recycle started with Fall River's conservation programs in the 1980s and have continued from those initial conservation efforts throughout the years. In 2017, the Cooperative spent \$330K, saving 1.2M kWhs. The energy Fall River purchases is 94% carbon free with 85% of the energy coming from renewable power. Our own hydros produce, at times, almost 25% of our total energy needs. In other environmental efforts, we have updated the construction practices for avian and small animal protection. Staff worked with swan advocates to raise contributions, and then buried overhead lines to eliminate swan fatalities in specific sections of lines. Bird diverters were installed to warn birds of power lines. The Cooperative shreds and recycles almost all of its wasted paper and encourages members to use electronic statements and payments. Board packets are prepared and distributed electronically, Oil in transformers is PCB free and transformers near bodies of water use a bridgeable vegetable oil. We recycle used power line wire and allow members to reuse old power poles. We are converting to electronic documents and moving away from printing paper as much as possible. The list of activities which reduce, reuse, and recycle is extensive.

President Schmier recommended figuring out how much paper we are saving by doing electronic board packets. The Board discussed the benefits to the members and the Cooperative.

Member conservation efforts have resulted in saving over 9M kWhs over the last ten years. The Cooperative is environmentally conscious and has had an interest in sustainability since the early 1980s. The list is preliminary and will be updated to reflect the suggested additions and corrections.

#### FALL RIVER CONSERVATIONS - LIGHTING RETROFIT

The new LED retrofit lights for the Cooperative's facilities were shown to the Directors. The lights will dim as the sun hits certain parts of the building. In the shop the lights will have motion detectors and will illuminate as motion is detected and then will automatically go off when no one is present. The plan is to have the offices, warehouses, substations, and hydro facilities replaced by the end of December.

Discussion was held on power quality issues and harmonics that have been blamed on LED lighting.

#### RESIDENTIAL DEMAND BILLING DISCUSSION

Discussion on the pros and cons of demand billing for residential services was discussed and when the peak demand hits. CEO Case said that we are ready to begin showing residential demand on the bills. We are working on the smart app as well, to be able to show demand to members. It is helpful to give folks the ability to see demand and understand the implications. Currently, Fall River doesn't pay much for capacity charges for wholesale power and transmission costs, but the Cooperative does have demand costs built into the transmission and distribution infrastructure to serve the needs of our members. CEO Case is concerned that if BPA were to change their billing practices on capacity it could have an impact on the Cooperative's bottom line, and when distributive generation gets financially competitive or retail choice is implemented that adding a residential demand charge will likely be the step needed for the Cooperative to collect its fixed costs. Without a demand charge, the line and system maintenance charge for Fall River should be \$74 per month plus the pass through of \$0.03 per kWh. However, at this time CEO Case feels that billing for residential demand may be premature. With the retail choice legislation failure in Nevada, the urgency of implementing a residential demand charge has diminished.

#### MANAGEMENT DISCUSSION ITEMS

##### STUFF THE TRUCK – FOOD DRIVE

We had 3 employees that came up with the idea of a food drive. Kathy Bollinger, Ted Austin, and Clint Washburn all had the idea to do a food drive for area food banks. We have scheduled one for every Friday in each area throughout our service territory. The food will be distributed to local food banks.

##### DELINQUENT ACCOUNT WRITE OFF

A report of uncollectable accounts was given to the Board. Discussion ensued.

##### HYDRO FACILITIES UPDATE

###### HYDRO ANALYSIS:

Felt Hydro – The costs were around \$4M to bring back the Felt Hydro under Fall River management, but power production sales will offset those costs.

There was a public comment period on relicensing efforts at Felt with very few comments made.

Island Park is running with one blower to maintain the required D.O. Staff is investigating a few options for increasing dissolved oxygen. Proposals to purchase new blowers, an oxygen injection method, and elevating the tailrace are being explored. The costs for replacement blowers are significant, but the payback for having them operational is a 2-year payback. CEO Case discussed the age of Fall River hydroelectric projects and indicated ongoing maintenance and equipment replacement will be a high priority as the hydro facilities age.

Buffalo Hydro is running well. Staff have new fish ladder dividers which will be installed in the Buffalo fish ladders.

Chester Hydro is running, and the rake is back in and working. The stator on turbine number 1 will require Riverside specialists to conduct tests on the windings.

#### ANALYSIS OF CHANGES TO LINE EXTENSION POLICY

There is an NRECA management internship program that Tina Warnke is taking. She had an assignment for a project and she choose to do an analysis on Fall River's line extension policy. The graph attached in the board packet illustrates the substantial savings primarily due to various changes in the Cooperative's Line Extension Policy. She did an outstanding job with this analysis and work product.

#### INTERNAL AUDIT REPORTS

##### GAS CARD AUDIT ANALYSIS

CFO Linden Barney is keeping an eye on a couple of trucks that had variances on mileage. There are explainable reasons for each instance.

##### POLE ATTACHMENT REPORT

The audit noted the Cooperative doesn't have written agreements with the vendors who use the Cooperative's poles. The vendors are billed annually and make payments without question. Attorney Rigby said that in Idaho there is no precedence for having agreements in place. The audit determined Fall River should increase the amount it charges per pole attachment based on an industry-accepted calculation. Currently, the Cooperative collects less than \$10,000 per year, but with an increase in pole attachment rates it is estimated to increase to \$14,000 per year.

The Board discussed the merits of encouraging pole attachments to help improve access to high speed internet in our service territory. At the end of the discussion the consensus of the board was to charge all pole attachments equally and to use the industry-accepted method of calculating those fees.

#### GET OUT TO VOTE CAMPAIGN

CEO Case reported on the Coop Votes effort. Fall River did a mass e-mail to our members encouraging them to vote. It was a non-partisan message and was well received by our members.

#### DONATIONS

The community donation report was presented to the Board.

#### REPORTS

## BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

Administrative Committee Chairman, Ron Dye said he is gearing up. The next meeting will be held in January to discuss scholarships. CEO Case asked that we be allowed to do a separate scholarship for the Fall River Propane employee that will be going to lineman school.

Policy Committee Chairperson Dede Draper reported that the Policy Committee met this morning and will be sending some policies to the Board for approval next month.

Management Report was included in the Board Packet.

CEO Case introduced the Cooperative's new Member Services Manager, Sheena Stricker. Sheena served as the Member Services Supervisor at Golden Valley Electric Cooperative which serves 45,000 meters. She is a great addition to Fall River's exceptional staff.

## CALENDAR

GM Case encouraged the Directors to go to the Legislative Conference in Boise this year. There has been a large turnover in Idaho's elected officials so it's important to build relationships and to get to know our state government.

## ADJOURNMENT

There being no further business, **Vice President Robson moved that the meeting be adjourned. Secretary Draper seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 3:10 p.m.

DATE APPROVED: December 17, 2018

  
Secretary Dede Draper