

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

December 17, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, December 17, 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 Husk Crowther. 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, Jay Hanson, Georg Behrens and with Debbie Smith by conference call

DIRECTORS ABSENT – NONE

OTHERS

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

CEO Case explained that we have installed a bottle filler on the water fountains to encourage conservation and reduce the use of plastic bottles. A water bottle was given to the Board, other gifts were exchanged. Happy birthday wishes were sent to CEO Case by all in attendance.

APPROVAL OF AGENDA

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

APPROVAL OF MINUTES

Vice President Robson made a motion to approve the November 19th Board Minutes as corrected. Director Hanson 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. Director Behrens 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.

COOPERATIVE REPORTS

Attorney Rigby reported that Rocky Mountain Power had a 2-hour outage recently that affected a large population. There were High School games going on at several local schools that had to be canceled and CEO Case received calls and text messages inquiring about the nature of the Rocky Mountain Power outage.

Director Crowther reported that he, Director Keay, and Director Behrens attended the NRECA Director Training. He shared stories about problems other Cooperatives have. He really enjoyed the classes.

Director Keay enjoyed the classes as well. He was impressed with the diversity and meeting with other folks. He made a contact with a woman who was involved with developing Community Solar. He looks forward to attending other classes. Director Behrens said he also enjoyed the classes.

Director Hanson wanted to wish everyone a Merry Christmas and thanked the employees for the Christmas Party. Director Hanson had a nice dinner with the Cases in DC during the CFC and NRECA Board Meetings. He reported about CFC issues and items they plan to discuss in strategic planning. The Farm Bill legislation change will give an opportunity to add to cushion credit accounts. CEO Case explained that RUS borrowers may be able to payoff debt with no penalties with proposed changes in the Farm Bill. Fall River does not have any RUS funding at this time.

Director Robson wished everyone a Merry Christmas and a great holiday.

MEMBER COMMENTS

Stuff the Truck was very well received, and they collected a lot of food for our communities. CEO Case was very impressed with the generous contributions.

Director Behrens said he talked to some friends about Propane and they were unhappy with a service billing issue. He reported the concern to CEO Case who is the Board President of the Propane Board. CEO Case referred the matter to the General Manager of Propane who followed up with the member. They didn't think they should be billed for the service work that was done upon their request. Once the work was reviewed, the customer agreed to pay the propane service bill.

FINANCIAL & STATISTICAL REPORTS

CEO Case reported that Fall River's financials year to date, including net margins, are currently \$1.4M above budget expectations. Revenue from retail energy sales are \$457K above budget with hydro operations generating \$304K above budget due to a good water year. The demand diversity credit from PNGC was recorded in November. Power production expenses remain under budget due to lower-than-budgeted hydro repair and maintenance of \$132K and the receipt of a section 242 payment of \$96K we received earlier in the year.

Controllable expense lines YTD are now right on budget; this is because we were over by 24% in November. The higher expenses in November are due to more labor being charged to Operations than budgeted.

The Cooperative saw good growth with over 325 new services YTD, representing a 2.3% year-over-year growth rate.

Cash flow: YTD, the Cooperative has generated \$5.9M from operations, invested \$2.7M in plant and paid off \$3.5M of long-term debt.

Director Hanson discussed the financial costs of PG&E in regards to the fire in California. Insurance providers and, ultimately, rate payers will bear the cost of the fires. There are some serious financial liabilities held by PG&E. Fall River does everything possible to reduce the chance of fires by keeping right-of-ways clear of danger trees and maintaining electrical infrastructure.

PROPANE OPERATING AND CAPITAL BUDGET

CEO Case reported on the Propane Budget and he was optimistic about significantly exceeding net margin expectations for 2019. Current net margins are at \$169k and Propane's management is making good progress in the expansion, billing service work, and maintaining appropriate gross margins per gallon of propane.

PROPANE LOAN REQUEST

In 2019, Propane will be making a long-term loan request which will include capital investments for a trencher in Driggs, software updates, a bulkhead cover, and additional customer propane tanks. These investments are outlined in the 2019 work plan and budget approved by the Propane Board of Directors.

COOPERATIVE BUSINESS

POLICY COMMITTEE REVIEW

GP #506 MEMBER ACCESS TO COOPERATIVE INFORMATION AND USE OF MEMBERSHIP LIST.

CEO Case explained the changes that were made on this policy.

Director Robson made a motion to approve the updates to General Policy #506 Member Access to Cooperative Information and Use of Membership List as recommended by the Policy Committee. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

GP #307 SPECIAL CONSUMER CHARGES

Director Hanson made a motion to approve General Policy #307 Special Consumer Charges as recommended by the Policy Committee. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

GP #619 HOLIDAYS

Director Hanson made a motion to approve General Policy #619 Holidays as recommended by the Policy Committee. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

2019 PROPOSED WORK PLAN AND COOPERATIVE GOALS

CEO Case reported that next year's plan is contained in the proposed 2019 work plans and goals in the Board Packet. If things change, Management will bring them to the Board for approval. Discussion on the planned work for 2019 was held. Director Crowther asked for clarification on how often management gets out to visit staff in the field and districts.

Director Hanson made a motion to approve the 2019 Work Plan and Goals as presented. Director Crowther seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NRECA VOTING DELEGATE

Director Hanson made a motion for CEO Bryan Case to be voting delegate, with Director Brent Robson as alternate. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CFC VOTING DELEGATE

Director Robson made a motion for Director Jay Hanson to be voting delegate. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NRTC VOTING DELEGATE

Director Hanson made a motion for Director Ron Dye to be voting delegate and President Doug Schmier to be alternate. Director Draper seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BOARD GOVERNANCE NRECA TASK FORCE REPORT

The review of Governance was postponed until February.

PROPANE ASSIGNMENT OF SHARES FOR VOTING

The Propane annual shareholders meeting was discussed, and the number of shares assigned for representation was discussed.

ANNUAL MEETING DISCUSSION AND TIMELINE

GM Case reviewed the timeline for the Annual Meeting with the Board. Director Draper commented about the possibility of moving the Annual Meeting to a weekday evening. She was wondering if there were ways to green up the event as well. Discussion ensued.

NUSCALE CARBON FREE POWER PROJECT (CFPP) UPDATE

CEO Case provided a review of the CFPP project with a PowerPoint presentation provided by UAMPS. The University of Oregon has engineered and are getting the necessary approvals to construct a small scale modular nuclear plant near Idaho Falls at the INL site (Nuscale). Nuscale is self-contained and, in an emergency, it can cool itself down in a safe manner. The Department of Energy and the Nuclear Regulatory Commission have both reviewed the project and are supplying grant funding to see the project through to construction. The project is on schedule and has received all the approvals for the project to date. Completion of construction is scheduled for 2027. They will have the ability to ramp generation up or down as needed. The cost is anticipated to be between 4 cents to 6.5 cents per kWh. Several utilities in the region are subscribing to the project contractually. UAMPS is the marketing agent and Energy Northwest will manage and operate the plant once operational.

JOHN PALM, BOZEMAN GREENBUILD

CEO Case introduced Mr. Palm and gave a brief background explaining his business philosophy. Mr. Case is very impressed with him and his business.

Mr. Palm gave an informative explanation of the solar industry and how his business works within it. He is from Belgrade, MT and they have 5 children and 2 grandkids. His main interest is in agriculture and so he is able to relate well to the farmers and ranchers. Renewable energy is very important to these industries. He began his career by installing a solar service to a remote cabin at Quake Lake, MT. Since then, his company has grown to a much larger scale. Early in 2005, an investment tax credit came into being to encourage development. The Chinese stepped up to make solar less expensive and the awareness of the population in general has increased.

A solar company has sales and project development including engineering, design, and permitting. Then the next cycle is follow-up and taking care of the installed equipment. He said his staff are versatile and wear a lot of hats and will jump in to do other jobs.

He enjoys the work and listed the companies that he works with. He said they have installed 6 systems in schools. He said the “norm” is becoming 50 kilowatt services. He said that the payback, commercially, is 6 years, while residential return is around 10 years. He said that homebuilders are beginning to have a standard operating procedure to build solar. He said the inverters have a life span warranty of 10 years, but he sees many lasting for years beyond that. He is confident that the equipment will last at least 30 years. He said that technology is helping save a lot of time and miles. They can now update the inverters over the internet.

The sunset on the tax credit is around 2022. Businesses are becoming less dependent on the credit. The tariffs with China have had no impact on the solar industry as there have been a lot of changes in the industry. The installers require the same type of OSHA safety training as our outside staff.

CEO Case thanked John for his time in attending and reporting to the Directors.

EXECUTIVE SESSION

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 Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

BPA POWER AND TRANSMISSION RATE INCREASE

NT transfer customers may have a lower rate increase than previously anticipated. It is projected to be a 3% increase for fiscal year 2020. CEO Case said staff will do a detailed review of the rates to determine if Fall River will need to raise rates next year.

PNGC YEAR END ADJUSTMENTS/CREDIT

Discussion ensued on the year-end adjustments.

FERC/WECC DE-REGISTRATION PROCESS UPDATE

CEO Case reported that Fall River is at the end of the line on the transmission system; we are in the process of applying for de-registered with WECC, NERC, and FERC.

HYDRO FACILITIES UPDATE

BUFFALO

The Buffalo plant is operating well and has had no interruptions with generation. This time of year, we can be shut down with ice but have not experienced that yet.

FELT

The Relicensing Public Meeting was held last week. The meeting was held at the Felt Plant and required walking all the way down and back out. Attending were ID and WY Game and Fish, Henry’s Fork Foundation, Historical society from Boise, and Friends of the Teton. CEO Case said the meeting was good. Nick

Josten was very helpful. He said that this hydro was licensed 30 years ago, and Fall River is essentially asking for continued operations of the existing plants.

The Felt Operating Statement was included in the Board Packet.

CHESTER STATOR/RUNNER UPDATE

The icing began earlier than usual; the river froze over in late November, so the plant had to be shut down. The stator on turbine #1 is scheduled for testing.

ISLAND PARK

Maintaining versus replacing the existing 500 hp blower was discussed. It was recommended that it would be cost-effective to make repairs, but parts are on a slow boat from China, so it will be late April before it is ready.

The D.O. level discussions are in progress.

PAYMENT OF MEMBER PATRONAGE CAPITAL

CEO Case hand-delivered some of the Patronage Capital checks to members. They were very appreciative. The rest were mailed on December 14th.

NEW SERVICE CONNECTS TO DATE

There are almost 350 new service order connections year to date. Director Keay asked what demographics are included in these.

FALL RIVER RECOGNITION OF AN RRR (REDUCE, REUSE, RECYCLE) BUSINESS LEADER

Fall River has been recognized as a business leader in our sustainability and conservation practices.

FALL RIVER'S COMMITMENT TO SUSTAINABILITY UPDATED STAFF TRAINING IN ASHTON

NWPPA Nuts and Bolts of Work Orders class had 19 staff attend with 13 Linemen, 3 in Member Services, 2 in Accounting, and 1 Engineering.

Utilities System Operations and Engineering had 9 staff members attend.

REPORTS

BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

The Administrative Committee Meeting will be held February 25th at 9:00 a.m. The next Policy Committee Meeting will be held March 25th at 9:00 a.m. The Finance Committee will hold a pre-audit meeting next month.


Clay and Debbie reported that they attended the Christmas party and thanked Wendi Celino and Tuc Atchley for putting it together.

CEO Case reported that the generator packed the load at Grand Targhee when they had the outage. It is now set to automatic, so it will start up and transfer load to the generator in the event of an outage. The fuel consumption per hour was less than anticipated and averaged only 33 gallons per hour compared to 100 gallons per hour stated by the manufacturer.

ADJOURNMENT

There being no further business, **Director Hanson moved that the meeting be adjourned. Vice President Robson seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 4:35 p.m.

DATE APPROVED: January 28, 2018


Secretary Dede Draper