

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

January 28, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, January 28, 2019, at the Idaho Falls Power Building, 140 S Capital, Idaho Falls, ID. Having determined a quorum was present, President Schmier called the meeting to order at 11:30 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Dede Draper.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Debbie Smith, Ron Dye, Husk Crowther, Jeff Keay, Georg Behrens, and Jay Hanson by teleconference

DIRECTORS ABSENT – NONE

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, Linemen Tuc Atchley and Braidan Martindale, CFO Linden Barney, and Executive Assistant Joni Amen

PPC FISH FUNDAMENTAL PRESENTATION

The Fish Fundamentals training presented by PPC was attended by all preceding the Board meeting. CEO Case organized a meeting with PPC and three other local utilities including Idaho Falls Power, United Electric Cooperative, and Raft River. PPC's Executive Direct Scott Corwin made a presentation to a group of approximately 30 people which included Board members, city council members, utility management and staff and Mayor Casper of Idaho Falls. The meeting discussed the complexity of the federal hydro system and the Endangered Species Act. The PPC staff did an excellent job reviewing the history and sharing facts.

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 Robson made a motion to approve the December 17, 2018 Board Minutes as presented. Director Smith 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 Behrens seconded the motion which included new memberships, purchase of power agreements, check register, safety report, and the early retirement of patronage capital report. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE REPORTS

Director Keay reported that he enjoyed the ICUA Legislative Banquet very much. Secretary Draper said that the legislators seemed to enjoy it as well. Director Behrens reported that he was a little disappointed in the EV feedback from leaders and would like to see more interest in grants for our service areas. Director Dye said it was interesting to meet all of the new folks that have been elected for the first time. Director Robson said the legislative conference allowed for good opportunities to meet and visit with our State representatives. He took a lot of notes and he was interested in the social media discussion.

Director Hanson was unable to attend ICUA but did attend the CFC Strategic Thinking Conference. President Schmier said he has spent a lot of time on NWPPA activities including the committee assigned responsibilities to hire the new NWPPA CEO. They are hopeful to have a candidate hired by mid-February.

CEO Case recognized the need for a third Fall River table at the Legislative Dinner next year. He said he had many good conversations and met many of our Legislators, he added that we even picked up a propane customer when Rod Furniss, a 28-year Fall River member didn't know Fall River sold propane. He appreciates the Board visiting with them and making them feel welcome.

Attorney Rigby said that he enjoyed the Water Users Legislative Convention and he was able to visit with many of them. He was very impressed with Britt Raybould and said she was a very quick study.

MEMBER COMMENTS

CEO Case reported that we haven't had a lot of outages and we have received positive comments on keeping the lights on during several significant storms.

FINANCIAL & STATISTICAL REPORTS

CFO Barney reported on Fall River's preliminary year end financials. Net margins are currently \$1.35M above budget expectations. Revenues after cost of power from retail energy sales are \$1.2M above budget with hydro operations generating more kWh than projected due to a very good water year. Power production expenses remain under budget by \$224K due to lower-than-budgeted hydro repair and maintenance and Fall River receiving 2016's Section 242 payment of \$96K for the Chester Hydro Project. The Section 242 payment for 2017 of \$113K was also received last month. Since funding had not been appropriated for the funding, this payment was not included in the 2018 budget. Fall River generated approximately 18% of the Cooperative's total kWh sold in 2018. The hydro projects did well in 2018.

Controllable expense lines YTD are over by 1% due to hiring apprentice linemen and an IT specialist.

The cash flows of the Cooperative allowed the investment of \$3M in infrastructure while paying off \$3.5M of long-term debt without securing any more long-term debt.

Fall River saw the number of services grow by 2.3% this year, adding 366 new services in 2018.

Propane, Fall River Enterprises, also will record a good year financially and Linden reported it would generate approximately \$180,000 which has not been included in Fall River Electric's financials yet. This will further increase 2018's net margins. It was another good year financially.

RECAP OF PRE-AUDIT CONFERENCE CALL

Director Hanson reported the Conference Call was held earlier this month. The Auditors provided information on how they will proceed and what the expectations are.

EXTERNAL AUDITOR WILL BE ON SITE FEBRUARY 6TH – 8TH, 2019

COOPERATIVE BUSINESS

PROPANE SHAREHOLDERS MEETING

The Propane Shareholders Annual meeting will be on February 25th from 9:00 a.m. to 10:00 a.m.

POLICY COMMITTEE REVIEW

Secretary Draper made a motion to approve the updates to General Policies #408 Cooperative Liability, #503 Newsletters to The Members, #607 Work Rules, #616 Revised Seniority Policy renamed Employment Classifications and Length of Service, and #618 Drug and Alcohol Policy as recommended by the Policy Committee. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ACRE CONTRIBUTIONS INVITATION

CEO Case reported that we did open ACRE contributions up for staff on a voluntary basis and it was well received and there were quite a few that choose to contribute. The Board was invited to contribute to ACRE as well. Fall River has historically had 100% participation from the Board and management team in ACRE.

ANNUAL MEETING PREPARATIONS

Discussions on the Annual Meeting timeline was held. The Nominating Committee will be formed, and a list of last year's members was included in the Board Packet. CEO Case asked if there were additional names anyone would like to nominate to join this committee, and to please let him know. Director Dye will be terming out and will not be able to run again. Ron has been a great asset to the Cooperative and served on many of Fall River's committees and has provide exceptional leadership throughout his tenure on the Fall River board. We will miss his wisdom, experience and well-timed humor.

BPA TRANSMISSION PERTAINING TO FALL RIVER'S SYSTEM

CEO Case is working with BPA to sell some transmission segments of the Targhee Line to BPA. BPA will redesign a few of their spans on the Swan Valley Teton Line to prevent outages due to flash overs when that line segment is icing. They are also working on reconfiguration of the Targhee tap to provide a breaker so Fall River is insulated from those issues on the Teton lines.

EXPENSE VOUCHER DISCUSSION – MILEAGE UPDATE

CEO Case asked if the vouchers are working for the Directors. Vice President Robson said that the formulas work well.

GEORG BEHREN'S COMPLETES NRECA DIRECTOR GOLD PROGRAM

President Schmier congratulated Director Behrens on his completion of the NRECA Director Gold program.

LEGISLATIVE ACTIVITIES BY STATE –

CEO Case reported that the Wyoming Legislators are working on Patronage Capital and wildfire liability. He thinks it is going well. Net metering and carbon tax are also on the docket.

President Schmier said Montana Legislation is strong with MECA putting the best foot forward on Capital Credits. The issue will be voted on soon. Smart metering is also being discussed. They have guidelines on excluding Cooperatives from the legislation. Carbon tax legislation is being discussed.

Idaho Legislation includes Patronage Capital and Propane Safety Legislation. The safety issue is when discount vendors overfill leased tanks and do not watch for or service leaks or recognize other maintenance needs. It seems to be moving forward. Will Hart is working to gain support.

LINCOLN BANQUET FEBRUARY 9TH TICKETS

NATIONAL ELECTRIC RATES

Fall River Electric is providing power to members at retail rates that are lower than the average retail rates for Idaho and most of the Nation. Fall River's retail rates are better than our investor-owned neighbor, Rocky Mountain, for the average user on Fall River's system. The graphic included in the board packet will be placed in the Flashes.

EXECUTIVE SESSION

Vice President Robson made a motion to go into Executive Session at 1:30 pm. Director Smith 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 at 2:45 pm. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

CYBER SECURITY ENHANCEMENT

IT Manager, Shannon Hill and his staff will be working to encrypt our SEDC data this week. We are encrypting our data for added security to our members. Within the last year

there have been data breaches and lost money. Mr. Hill reported he is seeing noticeable improvements on our phishing exercises. These are done to help staff recognize phishing attempts and to educate the Board and staff.

FEDERATED INSURANCE RECAP

CEO Case reported on the costs of property insurance. There were questions on how to save money. He believes the current plan should be good with coverage that includes an umbrella policy of \$30M. We had some losses last year that were covered by the insurance policy, but in the event of a catastrophic loss, it is hard to estimate how much insurance would be enough. With advice from multiple insurance providers, Fall River's current coverage appears to be reasonable.

Discussion included cybercrime, Director, Office and Management (DOM), and the Umbrella Policy. Coverage and deductible amounts were discussed as were the underwriters to our boiler and equipment policy. Director Dye asked about the fiber on the poles if they would be covered and fiber is covered.

PURCHASE OF POWER AGREEMENT CHANGES

Member Service Manager Shreena Stricker has worked on analyzing if the Cooperative's purchase of power agreements could be streamlined and if the practice of filing the agreements at county offices was saving the Cooperative money. CEO Case reported Member Services does an outstanding job collecting past due balances. With the current practice of recording the agreements, the Cooperative is able to place a lien on the property if a member leaves an unpaid balance. After running the numbers, it has been determined the costs are more to record these documents than it would be to write off the bad debt. Therefore, a purchase of power agreement will only be required for new services and all new members moving to existing services will only need to sign a membership agreement. This will save time and money for the Cooperative and, more importantly, will streamline the process for most of our new members.

HYDRO OPERATIONS

CHESTER

Ice has prohibited generation and the plant is shut down. Icing began early in November and because of the sand and debris that builds up, it is impossible to run. As soon as the ice melts, the plant will be started.

Turbine #1 stator is now operational, and all three turbines are operational.

Section 242 payment of \$113K has arrived for Chester's 2017 generation. CEO Case worked to get legislation passed to include hydros built on existing dams or diversions, but the funding was never authorized until we enlisted lobbyists to help the process and to ensure money was appropriated. This section 242 is similar to the rebates provided to wind and solar projects.

ISLAND PARK

Excitation on Turbine #2 is fixed with no loss in generation. One of the small blowers has been replaced and should be here soon. Repairs are being made to the large blower which we expect back in June. We are currently experiencing some dissolved oxygen issues and we are spilling a little water to resolve the problem.

Dissolved Oxygen Discussions Progressing – an agreement is close to being made and interested parties, namely Henrys Fork, is requesting an increase of D.O. to 8 during the spawning cycle in the late spring and early summer and then lowering the requirement to 6 during the rest of the year. This looks promising for all involved and we hope a proposal can be evaluated and then changed in the FERC license.

Staff will also dewater the upstream aeration basin and make repairs as soon as the weather allows. This will require some work to be done to the tailrace gate on the upstream side of the tailrace.

BUFFALO

Good generation with only a day or two down due to ice forming on the screens.

FELT

Is running fine with nothing to report. Relicensing is ongoing and comments are being collected. The historical society has concerns about some of the old buildings and requested an inventory.

LOCAL FOOD PANTRY DRIVE “STUFF THE TRUCK” SUCCESS

CEO Case reported that Ted Austin, Kathy Bollinger, and Clint Washburn were instrumental in getting the Fall River food pantry drive going. It was a huge success. He said it was interesting to see how generous Fall River members are.

DIG IN INTERNAL AUDIT

CFO Barney reported that the internal audit on billing for damages on dig-ins is complete and also explained how the process worked. After combing through outage reports, they only found one accident that hadn't been billed.

HOLIDAY LIGHTING CONTEST

There was good participation in this contest. Robert Wahlquist of Rexburg won this year's contest.

PNGC PATRONAGE CAPITAL

Fall River Electric's patronage capital retirement from PNGC for 2018 is \$121k.

POLE ATTACHMENT RATE CALC

CFO Barney reported that they ran numbers for pole attachments to determine the usage rates. The report is included in the Board packet.

REPORTS

BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

The Administrative Committee Meeting will be held today following Board Meeting. The next Policy Committee Meeting will be held on March 25th at 9:00 a.m.

President Schmier is involved with hiring a CEO at MECA.

Director Hanson reported that Farmer Mac will allow a CFC Board Member to sit on their Board.

Directors Keay and Draper are going to the Director Conference in San Antonio. Directors Dye, Robson, and President Schmier will attend the NRECA Annual Meeting in Orlando. Director Hanson will be in attendance on behalf of CFC and CEO Case will be there on behalf of the NRECA Board of Directors.

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 3:00 p.m.

DATE APPROVED: February 25, 2019


Secretary Dede Draper