

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

February 24, 2020

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, February 24, 2020, at the main office of Fall River Rural Electric Cooperative in Ashton, Idaho. Having determined a quorum was present, President Doug Schmier called the meeting to order at 10:01 a.m. The invocation was given by Director Georg Behrens. Member Services Representative Missi Hathaway recorded the minutes.

ATTENDING OFFICERS

President Doug Schmier, Vice President Brent Robson, Secretary/Treasurer Husk Crowther, and Past President Jay Hanson by teleconference

DIRECTORS PRESENT

Dede Draper, Jeff Keay, Anna Lindstedt, Jodi Stiehl, and Georg Behrens

DIRECTORS ABSENT - NONE

OTHERS PRESENT

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, Engineering Manager Dave Peterson, Operations Manager Trent Yancey, IT Manager Shannon Hill, CFO Linden Barney, Member Services Manager Sheena Stricker, Ad Hoc Committee Chairman Paul Dye and Member Services Representative Missi Hathaway

APPROVAL OF AGENDA

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

EXPENSE VOUCHERS

Secretary Crowther made a motion to accept and approve expense vouchers as presented. Vice President Robson 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 January 27, 2020, board minutes with a change on page five from Hyrum Johnson to Hyrum Erickson. Director Keay seconded the motion with change. 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 discounted patronage capital refunds report. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CEO Case reported that a large business on our service has been sold, and they are looking into cashing out their patronage capital. CEO Case asked whether they could retire it early with a discount. Attorney Rigby responded that since we are a corporation it would be up to the Cooperative to do this. CEO Case said they have about \$150K in patronage capital. If they choose to cash it out early, they will take it at a discounted rate of about \$75K. The board discussed the possibility, noting it would take all the capital budget for 2020. If that happens the board will need to adjust the capital budget. The board agreed that it could be done, but when there are large amounts of dollars involved, it will be decided on a case-by-case basis with the financial stability of the Cooperative paramount. If the member does choose to cash out the patronage capital, it will be submitted to the board for approval prior to being paid.

MEMBER COMMENTS

CEO Case said there have been several thank you notes from members about the reliability of Fall River's system.

Director Stiehl said the owner of Ponds Lodge, Carl Solden, greatly appreciates Fall River Electric and he said that the staff is great to work with.

Director Keay said he met the propane driver, Kelly Frieze, and reported he is very nice and is doing a great job.

COOPERATIVE REPORTS

Director Behrens thanked CEO Case for attending the ICUA for him last month.

Director Stiehl commented that she will be attending the Wyoming meetings this month.

Director Draper said she attended a meeting in Boise with her husband about the salmon and steelhead issues.

FINANCIAL REPORTS

2019 YEAR END FINANCIALS

CEO Case reported on the financial reports for 2019 and said that financially, Fall River did very well. We purchased a blower and made repairs for IP Hydro in 2019, which were budgeted for 2020. The Felt Hydro revenue was also under-estimated. We had a tax accrual adjustment when Teton County reported that the Felt Hydro was exempt from property taxes. The Fall River Enterprises income will be booked.

CFO Barney reported that the auditors spent two days in-house, conducting the annual audit. Everything went very smoothly. Mr. Barney noted the variances for 2019 included higher kilowatt hour (kWh) sales in 2019 than expected. Our labor costs were over budget by almost 10% due to less time being charged to work orders than expected. These overruns were offset in part by other smaller variances. Overall, expensed labor and overhead was within 2.5% of budget.

2020 JANUARY FINANCIALS

CFO Barney reported net income of \$490k for 2020 January's financial report, which is \$196k more than budgeted. Revenue net of power costs are \$89k better than expected, which is normal for the year. The hydroelectric plants have had less repairs and support expenses than budgeted. Labor costs and overhead for maintenance is 4% under budget. Mr. Barney feels that gap will close as we go through the year. Meters and transformers (special equipment) are credited at the time of purchase for estimated installation costs.

Annual growth was up 2.6% for new services through the month of January. CFO Barney asked if there were any questions on the variance analysis. The question was asked when the lean months affect us on cash flow. CFO Barney responded that springtime before irrigation is billed out and, in the fall, before it gets cold. CEO Case talked about the cash flow and patronage capital being paid out.

AUDIT

CEO Case reported on the audit and the exit interview call he had with the auditors. They will be here in April to present the Board Audit report and answer any questions the Directors may have. Our Accounting Department does a great job and they had no recommended adjustments.

COOPERATIVE BUSINESS

EXECUTIVE COMMITTEE

CEO Case reported on the meeting and what was discussed including:

EVALUATION OF LEGAL COUNSEL

The Executive Committee decided to do a legal counsel review every three years. CEO Case was asked to create an evaluation form and bring it back to the next Executive Committee meeting.

RECOMMENDATION FOR BOARD EVALUATION PROCESS

The Executive Committee reviewed two versions of board evaluation processes; they will be compiled into one. Eric Anderson from CFC will be here in August to help conduct the evaluation. The board evaluation will be done with the board as a whole, with discussion on areas needing improvement.

BYLAWS

The Executive Committee discussed updating the bylaws and felt it is important to review them periodically. Most of the bylaws will not be changed other than some minor adjustments needed. If there are a lot of changes suggested, it was decided to wait until next year to bring it to the members for a vote. The Executive Committee will meet again next month to follow up.

Director Keay asked about a vacancy being filled on the Board. CEO Case said the Bylaws, Article III Section 2, Election and Tenure of Office is where you find the answer. Discussion of this question was in-depth. Attorney Rigby said he will check with NRECA to see if there are any inconsistencies in our Bylaws.

Director Behrens asked on Article XVI Amendments. Can any member change the Bylaws? Attorney Rigby said they can request a change, but it must be certified by the Directors and a majority vote by the all the members. Discussion followed. President Schmier said that if something needs to be addressed or changed, it is our obligation as a board, representing the members, to discuss those changes. Yes, we do have an obligation to our members to act upon members concerns.

ANNUAL MEETING PREPARATIONS

The annual meeting will be held at the Teton High School in Driggs. A demonstration of the solar and the wind turbine will be held at the school. CEO Case showed the giveaway gift, an electric fire starter. The Nominating Committee will meet March 18, 2020. A timeline is included in the Board packet for the annual meeting. An electric vehicle will be

demonstrated, and Kurt Miller from Northwest River Partners will be the key speaker.

AD HOC COMMITTEE RECOMMENDATION OF 50% VOTING REQUIREMENT. Committee Chairman Paul Dye was recognized, and CEO Case gave a summary of why the need for an Ad Hoc Committee. Last year, there was a discussion on the need to limit the number of candidates for election when more than two are running. In 2019, there were suggestions made. The Ad Hoc Committee was then formed, and they reviewed different ways to do this. The time was turned over to Chairman Dye. He reported that the committee met and referred to the minutes in the board packet on what the discussion was, the main topic for them was the nomination process. The consensus was to leave the Nomination Committee alone and let them do their job. They do not recommend any limitations for people to run, including a citizenship requirement. Regarding the election's topic, discussion was held on what the process might be for more than two candidates with one not receiving at least 50% of the vote. Their recommendation is to do the regular election, then a runoff if no candidate receives at least 50% of the vote. The Fall River Electric Board discussed the Ad Hoc Committee's recommendation and there were mixed feelings on how this should be approached.

Director Behrens motioned to bring it to the membership at this year's Annual Meeting. The ballot will ask if we retain the current process or change to a 50% majority vote being required, the board being neutral. Secretary/Treasurer Crowther seconded the motion. A roll call vote was taken; THE MOTION PASSED BY SIX VOTES YES AND TWO VOTES NO. A discussion of if the members approve changing the voting process, when would it be put in place. CEO Case said it would be at the 2021 Annual Meeting.

CRC VOTING DELEGATE

Vice President Robson made a motion for CEO Case to act as CRC voting delegate and Director Behrens as alternate. Director Key seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

IDAHO CONSERVATION LEAGUE LETTER

CEO Case paraphrased the letter and doesn't feel that we need to respond to it, and he felt that it brought up information that are not correct.

FULCHER STATEMENT ON DAM REMOVAL

CEO Case reported on the Dam Removal letter. He likes that the group talks openly and has a good mixture of individuals from the communities and they are making good progress on the issue.

DIRECTOR'S QUESTIONS:

Director Stiehl had asked a question on nonprofits. CEO Case said we follow what the Legislature rules (Title 30 Corporations, Chapter 30 Idaho Nonprofit Corporation Act) are for Cooperatives in the Idaho Statutes. Attorney Rigby said there is more to it than that, but this is a portion of our process.

Director Key attended the NRECA Summer School in August and had some questions on the BLC957.1 "How to Evaluate and Improve Board Performance" and wanted to discuss the process of officer positions. Director Hanson said he would email Directors Key, Lindstedt, and Stiehl a copy of the last process as well as send one to CEO Case to put in the next board packet.

Director Key would also like clarification on BLC974.1 #6 “Demand Billing.” CEO Case said he and CFO Barney are looking into it. This will be a topic for next board meeting.

Director Lindstedt attended the Winter School in December. Her report is in the board packet and she stated she would like to form some questions for CEO Case and President Schmier to answer.

EXECUTIVE SESSION

Vice President Robson made a motion to go into Executive Session at 1:14 p.m. Director Behrens seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Vice President Robson made a motion to go out of Executive Session at 1:40 p.m. Director Key seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION

YEAR END RECAP OF WORK PLANS AND GOALS FOR 2019

CEO Case recapped the 2019 work plans and goals. There were two goals not obtained, but management and staff did a great job working on the goals.

MECA SCHOLARSHIP RECOMMENDATION

CEO Case reported that Maeve Isabel Daley was the candidate that was chosen and submitted to MECA.

FALL RIVER SCHOLARSHIPS

Fall River Electric scholarships are due by March 27, 2020, Director Key is the chair of that committee.

YOUTH RALLY

Youth Rally applications are due by April 15, 2020. Director Lindstedt asked if there was information out there for the board members to show potential attendees. Director Key sent a link out from Fall River’s website. CEO Case will also get them some information.

LINEMAN SCHOLARSHIP

Konner Saurey was the only lineman applicant. **Director Key made a motion to approve the Lineman Scholarship for Konner Saurey. Director Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

HYDRO OPERATIONS

CEO Case reported on Fall River Electric’s hydroelectric facilities:

Chester Hydro: Has been shut down because of ice.

Island Park: Has 185 cubic-feet per second (cfs) going through the turbines and producing well. We are in the trial period for dissolved oxygen and we have not had to use the blowers.

Buffalo and Felt: Both are running well.

Felt and Chester: The capital budget items have been approved and fiber installed. We have the new plant equipment with the new controls for Felt but need to wait until the road is clear and we can haul the equipment down to get it installed.

FELT STAKEHOLDERS REPORT

CEO Case reported on 2020 Felt Hydro Study Report meeting for the relicensing, and the document that was supplied to the Felt Stakeholders is included in the packet. FERC is involved and he will get a draft together and get it to the stakeholders.

ACRE DONATION

CEO Case thanked the board members for contributing to ACRE.

SAFETY STANDARDS CERTIFICATION FOR MONTANA METSPOOL

Director Draper asked what the Metspool is. CEO Case said its Workman's Comp insurance for Montana that he and President Schmier need to fill out.

GRANT FOR SOLAR FOR SCHOOLS

The \$30,000 grant funds were received from Bonneville Environmental Foundation for the Solar for Schools project.

MANAGEMENT REPORT

CEO Case asked the board if there were any questions on the Management Report. There were none.

SMART GRID SAVINGS

CEO Case reported that we made some investments last year in smart grid. We have been tracking AMI meters and fiber optics it has been a very good investment.

The Smart Home Pilot Project had only four members that saved energy by using it for conservation, the other eight used more energy than when they began.

REPORT

BOARD COMMITTEE REPORTS.

President Schmier reported the Executive Committee will meet on March 18, 2020.

Chair Jeff Key reported the Administrative Committee will meet on April 20, 2020.

Chairperson Draper said the next Policy Committee meeting is on March 23, 2020.

Attorney Rigby will be going through the NRECA Policy Book for any new policies to review, and CEO Case will bring a one new suggested policy for handling a single large load to the next meeting.

ADJOURNMENT

There being no further business, **Director Hanson made a motion to adjourn. Director Robson seconded the motion.** A voice vote was taken; **THE MOTION CARRIED BY UNANIMOUS VOTE.** The meeting was adjourned at 1:55 p.m.

DATE APPROVED: March 23, 2020

