

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

October 16, 2023

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, October 16, 2023, virtually and in person at the main office of Fall River Rural Electric in Ashton, Idaho. Having determined a quorum was present, President Behrens called the meeting to order at 10:00 a.m. Executive Assistant Angie Haws recorded the minutes.

ATTENDING OFFICERS

President Georg Behrens, Vice President Husk Crowther, Secretary/Treasurer Jodi Stiehl and Past President Dede Draper

DIRECTORS PRESENT

Jeff Keay, Brent Robson, Travis Markegard, Anna Lindstedt, and Doug Schmier

DIRECTORS ABSENT

NONE

OTHERS

CEO/General Manager Bryan Case, Guests; Fall River management team members Linden Barney, Dave Peterson, Shannon Hill, Clint Washburn, and Executive Assistant Angie Haws

APPROVAL OF AGENDA

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

2024 STRATEGIC OBJECTIVES INCLUDED IN THE PROPOSED BUDGET

VISION AND STRATEGIC OBJECTIVES

President Behrens opened the floor for discussion of the current Vision and Strategic Objectives. CEO Case stated these are included to ensure the Cooperative's operating and capital budgets are aligned with the Cooperative's vision and strategic objectives. The board discussed making some verbiage changes for clarity in the document.

Director Keay made a motion to approve the Vision and Strategic Objectives as amended. Director Draper seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

2024 HIGHLIGHTS OF ASSUMPTIONS AND SIGNIFICANT BUDGET ITEMS

CEO Case stated the 2024 budget includes significant investments in personnel, transmission facilities, maintenance for our distribution system and hydro operations. Staff was on track with investments in technology and the efforts staff went through with our long-range technology plan confirmed Fall River is keeping a good pace and also confirmed the need to take our next steps in a new

SCADA system installation which is included this year's budget. The modest retail rate increase of 4% approved for January 2024 has also been included in this proposed budget. The general retirement of patronage capital is proposed to move from the accelerated retirement plan back to using a 5-year average block for retirement. This keeps the Cooperative at around a 17-year retirement cycle, which is less than our traditional goal of a 20-year patronage capital retirement cycle.

Overall Assumptions for 2024:

1. Overall, the Cooperative is in a good financial position and as such has the needed flexibility in this time of uncertainty. The following are highlights for general areas:
 - a. Financially reaching and maintaining an equity position of 49% provides the Cooperative with financial flexibility to be good stewards of the Cooperative's assets and affords us the ability to take advantage of opportunities with possible grants and allows us the ability to conduct small pilot projects preparing the Cooperative for the future.
 - b. Fall River's retail rates with the approved increase as of January 2024 will generate the gross margins needed to operate, maintain, and plan for the Cooperative's future. The Cooperative will make small incremental adjustments to the residential and our small and large commercial rates. The sole purpose of these adjustments will be to move our retail rates in line with the Cooperative's costs to deliver the respective services we provide.
 - c. The flexibility the board has allowed to add staff prior to retirements is appreciated. Below we discuss the additions that have already been approved and some additional staff we are planning to add in 2024. In mid-year 2023 the board approved:
 - i. Filling an open vacancy and one additional engineer.
 - ii. A part-time person for work orders in accounting.
 - iii. A part-time person in member services.
 - iv. An apprentice for future retirements in operations.

Case stated FR has hired the above and they are included in the proposed budget and have also included in the proposed 2024 budget other additions to staff to prepare for the future.

REVIEW PROPOSED 2024 OPERATING BUDGET

The 2024 Operating Budget was presented by staff to the board for review. Our goals will be achieved through Fall River's qualified and expert workforce, by being good stewards of our resources, and by being acutely aware of our members' needs. FR aspires to be a leader in the industry, community and for our members, delivering top-tier performance in reliability and service. Also, FR is striving to be our members "Trusted Energy

Partner” (experts in all things energy), providing members with relevant and economical solutions for their energy needs.

Operation Budget Assumptions and Major Budget items:

1. Revenue growth based on a growth rate that is slightly lower than the 5 yr. average and a 5 yr. average kWh usage per service, by service type and month. This is done to help weather normalize the forecast.
2. Includes 4% retail rate increase approved based on COSA and rate design discussions.
3. Cost of purchased power based on updated BPA rates and the PNGC power cost model.
4. Anticipates 4% overall increase in wage rates.
5. Benefit ratio increase is based on quotes from NRECA and includes increases in health care and RS plan rates.
6. Budget includes one additional lineman, additional engineer, engineer intern moving to full-time in Q-2, one new IT technician in last half of 2024, summer intern for member services and two temporary groundmen again in 2024. We will likely also have some overlapping on two potential retirements in 2024, which have been included.
7. Budget includes \$20k for employee engagement and young member engagement.
8. Most out-of-pocket operating expense items include a range of expenses from 3% to 5% depending on the expense over the 2023 projected costs.
9. Training budgets and travel budgets for all departments were increased by \$87k last year and the proposed 2024 budget maintains this increased budget amount.
10. The 2024 budget includes increases in maintenance items. Tree trimming has been increased to \$300k from \$260k. Rewiring the Asthon office with Cat6 cable in all offices at \$146k. Site improvements include landscaping on Felt employee housing, renovations to the West Yellowstone employee house and repairs to the Macks Inn employee housing at approximately \$150k.

Directors reviewed and discussed items with staff.

2024 OPERATING BUDGET SUMMARY

Included in the board packet.

BUDGET VARIANCE ANALYSIS

Included in the board packet.

LABOR AND OVERHEAD ANALYSIS

Included in the board packet.

TRENDED OPERATING STATEMENT

Included in the board packet.

REVIEW PROPOSED 2024 CAPITAL BUDGET

The 2024 Capital Budget was presented by staff to the board for review and discussion.

Capital Budget Assumptions and Major Budget items:

1. Includes \$6.374 million for a portion of the transmission upgrade.
2. Most projects scheduled for 2023 were completed and we have included anticipated carryover items from last year's budget which include transmission upgrade substation work, a transformer bay project in the Ashton yard and several vehicles which still may take a few years before they are delivered. For the Felt relicensing we have included ongoing relicensing costs and a transformer move. Capital spending on hydro's is \$865k.
3. Includes renovation of the West Yellowstone condo from the radio station space to an additional living quarters (\$300k).
4. There is \$1.2 million for two boom trucks and two squirt boom trucks. Delivery dates are a concern and one or all may end up being received in 2025 or even 2026. Staff does believe we can continue to make repairs and keep a reliable fleet but have concerns if the delivery lag extends longer.
5. Total capital budget is \$13.972 M compared to a more normal year of roughly \$4 M. The variance from a typical year amount to about \$9 M roughly and includes the following:

a. Non-Site Specific includes New Services, Subdivision buildouts and ordinary system maintenance.	\$ 853,000
b. Transmission Upgrade	\$6,374,000
c. SCADA Hardware & Software	\$ 302,000
d. Felt Transformer Move & Relicensing	\$ 800,000
e. Driggs Employee Housing	<u>\$ 600,000</u>
Total Variance from Norm	\$8,929,000

The 2024 proposed capital budget is less than the 2023 capital budget. There are still significant projects and initiatives which are contained in the Cooperative's strategic objectives, the long-range engineering plan, and the long-range technology plan, which will take several years to complete. Projects like our transmission upgrade, the investment in SCADA and the ongoing maintenance are investments in the future of Fall River and will provide value for decades to come.

Past President Draper made a motion to accept the 2024 Operating and Capital Budget as presented and discussed. Vice President Crowther seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

2024 GENERAL & EARLY RETIREMENT OF PATRONAGE CAPITAL
GENERAL PATRONAGE CAPITAL RETIREMENT
Included in the board packet.

2024 PROPOSED EARLY RETIREMENT BUDGET

Included in the board packet.

Secretary Stiehl made a motion for the early retirement budget of \$200K for patronage capital. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

PROPOSALS FOR ANNUAL AUDIT AND SUMMARY

The board discussed the proposals submitted by the audit firms comparing costs, experience, and process. CEO Case stated the

SUMMARY OF AUDIT PROPOSALS

Included in the board packet.

DECORIA & CO AUDIT PROPOSAL & ENGAGEMENT LETTER

Included in the board packet.

POSTON DENNEY & KILPACK AUDIT PROPOSAL

Included in the board packet.

Vice President Crowther made a motion to approve DeCoria as the auditor for the next three years. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

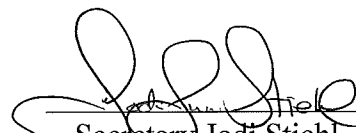
PRELIMINARY PLANNING FOR JANUARY PRE-AUDIT CALL, FINANCE COMMITTEE

CEO Case stated the tentative date for the upcoming pre-audit call will be on January 17, 2024.

ADJOURNMENT

There being no further business, **Director Robson made a motion to adjourn. Secretary Stiehl seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. The meeting was adjourned at 11:58 a.m.

DATE APPROVED: November 20, 2023


Secretary Jodi Stiehl