

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

January 27, 2020

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, Jan 27, 2020, following the Fall River Enterprise Annual Meeting, 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 10:00 a.m. The invocation was given by Director Jodi Stiehl. Executive Assistant Joni Amen 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 by teleconference

DIRECTORS ABSENT - NONE

OTHERS PRESENT

CEO/General Manager Bryan Case, Legal Counsel Attorney Hyrum Erickson, Engineering Manager Dave Peterson, CFO Linden Barney, Engineer Nick Watson, Member Services Manager Sheena Stricker, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

Vice President Robson made a motion to approve the agenda as presented. Director Keay 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. Discussion was held on charging a meeting fee per day. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

Director Keay made a motion to approve the Dec 16, 2019, board minutes as presented. Vice President Robson 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. Secretary Crowther 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.

MEMBER COMMENTS

Member Alison Godlewski sent a letter which was discussed. The Board discussed her letter and suggestions on the value of wind and solar generation. CEO Case had responded to Mrs. Godlewski with a brief acknowledgement recognizing her letter had been received and would be included with board material.

Discussion followed on how to educate the younger demographics on the benefits of carbon-free hydroelectric power. Director Robson recommended having a hydro educational demonstration for schools such as our Solar for Schools program to show all the energy pieces giving a better understanding the benefits of hydro.

Member Sierra Scott submitted a request to be grandfathered on the net metering rates. She has installed a solar installation and was concerned with the change in the cooperative's net metering policy to purchase excess power on a monthly basis, which is a change for reconciling excess power on an annual basis. Director Behrens reported Mrs. Scott was very upset the change would reduce her payback on her solar system and felt the cooperative didn't provide her with the information she felt she needed. Discussion ensued about the equity and fairness to each member, the direction of the net metering tariff and how the cooperative could communicate more clearly.

It was noted that Creative Energies is a reputable local solar company and doesn't try to mislead customers in the feasibility of solar. Engineer Nick Watson reported Mrs. Scott's contractor never asked to see the cooperative's net metering tariff and that the Fall River staff had been in contact with Mrs. Scott and had assisted her with her solar system and how Fall River's net-metering tariff worked. Mr. Watson, is the point of contact for distributive generation systems interconnection with Fall River and the cooperative's talking points include encouraging individuals to do a cost analysis using Fall River's wholesale or avoided cost as outlined in the net metering tariff to determine the revenue stream for the system; the net metering tariff and avoided cost rate will change over time; and Fall River doesn't know what will happen with rates years down the road. CEO Case shared the Florida study, which supported the reason for the change in Fall River's net metering tariff. After a robust discussion, the consensus of the board was to retain the net metering tariff as approved.

CEO Case was asked to respond accordingly to Mrs. Scott.

DIRECTOR REPORTS ON INDUSTRY EVENTS, TRAINING, AND TRENDS

Director Stiehl reported on the director training in Nashville, Tennessee, in December. She said it was a very good training and she especially appreciates the networking. The presentations at ICUA were excellent as well. She enjoyed listening to BPA Administrator Elliot Mainzer. Governor Little spoke and he stated that while he is in favor of recovery of salmon returns, he opposes dam removal. Demographics on how younger people view hydroelectricity were discussed. Mrs. Stiehl also reported on how important future power transmission is to integrate distributive generation.

Director Lindstedt noted that her report from the winter meeting wasn't included in the board packet. CEO Case said they will be in next month's board material.

Secretary Crowther reported that he went to the winter director training and the ICUA Legislative Conference. He learned a lot about the transmission issues in the Northwest and some of the many things we need to look for in renewing contracts in the future. He also learned more about the fish and the lower Snake River dams. He said that as coal plants are decommissioned, local systems will be left vulnerable. Coal mining will likely

continue as a needed resource and may be exported to other countries; solar and wind cannot support the load on the grid when it's needed.

Director Jay Hanson reported on the preaudit conference call and said the field audit will be conducted on February 3-5. He also reported the CFC meeting on strategic thinking that he attended was excellent. The CFC directors toured Kauai's battery and solar/fuel generation plant.

CEO Case said Fall River participated in a meeting to discuss transmission needs in southern Idaho. Public Power is pressing BPA to provide a least-cost option for future transmission need; Idaho public power are interested in helping BPA finance the investment in transmission to serve southern Idaho and explore alternatives to secure transmission services. These are complex and long-lasting decisions. Discussion ensued on the methods that could be used to finance the project with a guaranteed 40-year lease from BPA. The cooperative has used a similar structure to build transmission from the Goshen substation to Drummond substation.

FINANCIAL REPORTS DEC. 31, 2019

CEO Case reported the financial reports are preliminary and there is a possibility of small changes to the final numbers. He reported Enterprise income is booked after the audit and will constitute the largest change to the financials. The financial for both electric and propane operations during 2019 resulted in good net margins compared to budget expectations. CFO Barney reported on invoices for repairs on the Island Park blower for 2020 came in at the end of 2019. They were repaired sooner than expected. CFO Barney reported on the variances which include the sale of kWh's during 2019 being higher than anticipated. The cooperative installed 455 new services in 2019 or 2.7% in service growth. Interest income was up, and interest expense is down. We haven't had to borrow as much as anticipated. Having over 40% equity also contributes to a large discount on our loans rates. The cooperative has paid off \$3.7M in long-term debt and will end the year with an estimated 43.4% equity ratio. The capital budget is 93% spent year to date. Capital budget items that went over budget were discussed. The fiber optics project and a leasing agreement has brought in additional revenues, which will recover the investment in fiber.

The auditors will be in the Ashton office the week of February 3. Director Keay reported that there was excellent discussion on the preaudit meeting about significant deficiency in separation of duties as the auditors explained they have this statement on 90% of their clients and is noted due to the small number of staff. Director Keay discussed the board's role in providing another level of review as check registers, expense reports and financials are reviewed monthly. Director Hanson added how important it is to review the numbers.

CFO Barney explained cooperative staff do segregate duties with the available staff and take measures to ensure there is cross checking taking place. He explained that some examples of how the cooperative segregates duties and builds in cross checking transactions. Fall River has a lockbox process where mailed payments go and are processed and deposited by a third party vendor to remove this processing step by staff; Fall River staff making deposits or transfers aren't assigned to reconcile the same account; the CEO reviews all expenditures; and department managers sign off on expenditures to provide additional checks and balances.

FDIC BANK INSURANCE ON DEPOSITS GREATER THAN \$250,000

CEO Case discussed Fall River's move to a new bank and explained the daily sweeping function used in the prior bank is not currently available. A daily sweep function allowed

the cooperative to set minimum and maximum bank balance covered by FDIC insurance and would sweep excess funds into guaranteed investments. The Bank of Idaho does have an account for excess cash which is guaranteed so funds are covered by FDIC insurance. The process to move funds is a manual process and takes up to two days to move money to and from investment accounts. The money has to be moved back in as needed. Staff has to watch the balances and be sure to transfer the money, which is a challenge, especially with large balances outstanding from patronage capital checks being paid, power bills coming due, and principal and interest payments being scheduled for payment. Staff is working with the bank to ensure the cooperative's exposure is limited.

COOPERATIVE BUSINESS

AVOIDED COST RATE USED IN RELATION TO NET METERING CONSUMERS
CEO Case explained Fall River must file the tariff with the State of Wyoming and needs authorization for approval.

Vice President Robson made a motion to approve the avoided cost rate used for determining net metering as presented. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

IDAHO NATIONAL LABORATORY TOUR CITY OFFICES & SITE
CEO Case reported that INL will provide tours of their Idaho Falls facilities as well as the site, and if any of the directors were interested in touring the facilities, he would arrange it. He said that they have cybersecurity demonstrations, a micro grid pilot project, large scale battery testing, information on nuclear and other energy related topics. The directors are very interested in a full day tour. Director Hanson commented that some CFC individuals may be interested in a tour as well.

ACRE CONTRIBUTIONS INVITATION

CEO Case requested to the board to contribute to ACRE. He presented a report of how the funds are disbursed in support of nonpartisan cooperative issues. Employees will be encouraged to participate as well.

VOTING DELEGATE NRTC

Director Crowther made a motion for Director Behrens to act as voting delegate at NRTC with CEO Case as alternate. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

VOTING DELEGATE CFC

Director Behrens made a motion for Director Hanson to act as voting delegate at CFC. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ANNUAL MEETING PREPARATIONS

The board made recommendations for members to be considered to be added or removed from the potential nominating committee list.

Discussion ensued on the list of names and the value of having broad representation of members serving on the Nominating Committee. There was discussion on how to choose members in a balanced approach using best practices.

CEO Case stated the Nominating Committee, historically, was very effective at finding

and submitting names of quality candidates to run against incumbents and to fill board vacancies due to term limits. Hyrum Erickson expressed his views that having both a nominating committee combined with the nominating by petition process allows all who are interested in running for the board an opportunity to be included on the ballot for the members to vote on. Secretary/Treasurer Husk Crowther's discussed his experience of being elected to the board using the nomination by petition process. He also noted that three of Fall River's current board members were elected after going through the nomination by petition process.

Vice President Robson made a motion to accept the potential nominating committee list, adding the suggested names and taking off the names as recommended. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Discussion on updating the bylaws was held. The timeline for undertaking a major update was a concern on whether there is time to get it into this year's annual meeting. President Schmier stated the goal was to do a review and have it ready for the annual meeting in 2021. Next month the board will consider a bylaw change requested by a member ad hoc committee, and it was discussed that this proposed change, if accepted by the board, would be considered for the 2020 annual meeting.

The annual meeting will be held in Driggs on June 13, 2020. CEO Case reported that the Nominating Committee will be held in mid-March.

BPA

The following reports were presented in the board packet. CEO Case recommended taking the time to read them. They include the Post-2028 Contract Timeline, PPC – BPA Central to Meeting Climate Goals, PPC – New NOAA Study on the Columbia River and another study on Juvenile Survival. CEO Case discussed conclusions of the NOAA scientists, which included that investments in fish passage are paying off; additional spill was not resulting in expected improvements; and ocean conditions, not river operations, were primarily responsible for declines in adult salmon and steelhead returns. Additional reports include Comparison of Hydro Operations Under Spill Regimes, Lower Snake River Dams Fact Sheet, BPA's Fish & Wildlife Program Funding, Lower Snake River Dam Replacement Study, U.S. to Lose Over \$2.3 Billion by Breaching Dams [associated report](#), and Power Availability – Capacity "[Will there be enough electricity after coal plants shut down?](#)" Directors were encouraged to watch this video. These topics will all be critical to consider as Fall River makes decisions on our future power contracts.

EXPENSE VOUCHER

A new expense report form was provided to the board and discussed.

EES LETTER AND REVIEW OF TIME OF USE FOR FALL RIVER

Staff included an EES report on the value of a time-of-use rate for Fall River. The report showed there is little to no benefit for members or the cooperative to implement time of use rates. Due to the cooperative's purchase power agreements this assessment will be the case until 2028.

LINCOLN DAY BANQUET

Will be held on February 29, 2020, at Melaleuca Offices in Idaho Falls. Board members who volunteered to attend include Doug Schmier, Brent Robson, Jodi Stiehl, and Georg

Behrens.

NRECA DIRECTOR GOLD CERTIFICATE – DEDE DRAPER

DIRECTOR'S QUESTIONS

Discussion was held on director questions. How are patronage capital returned checks handled? CEO Case said staff searches for them in various ways. As people leave our area, they are made aware that they can receive those funds at a discounted rate and that if they choose not to collect discounted patronage capital, they should keep Fall River apprised of their mailing address, should it change, so we can find them. There is also the option of using their patronage capital to cover outstanding debt and members can choose to donate it to scholarships or Fall River Helping Hands.

Other questions included providing members the option of receiving patronage capital in the year it was allocated on a discounted basis, if requested by the member. The directors felt that giving members a choice is maybe something to consider. We would have to do a bylaw change if the Board chooses to make this change.

EXECUTIVE SESSION

Director Keay made a motion to go into Executive Session at 1:10 p.m. for discussion on personnel, legal updates, or business confidential items; Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Vice President Robson made a motion to go out of Executive Session at 2:10 p.m. Director Keay seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION

Management provided a list of 2019 Fall River accomplishments and a NRECA legislative successes summary.

INTERNAL AUDIT REPORT

CEO Case reported that accounting has been doing internal audits. Areas audited include expense reports, accounts receivable adjustments and inventory adjustments. Staff found a few exceptions in the audit and they were identified and were small in nature. Staff discussed process improvements. Additional audits are scheduled for 2020.

HYDROELECTRIC FACILITIES UPDATE

Dave Peterson reported on Fall River's hydroelectric facilities:

Island Park Hydro - Ran all of December without the blowers, which provide operational savings. The change of the dissolved oxygen requirement to 6 meant Fall River didn't have to run the blowers for most of the month. One turbine is running near capacity for the available water.

Buffalo Hydro Ran well all December.

Felt Hydro Ran well in December.

Chester Hydro Ran all of December for the first time ever. Ice shut it down after the first of January. Next year when we have the new rake, we may be able to run it during times of ice buildup.

The Section 242 incentive monies were received in the amount of \$70K.

2019 NATIONAL COOPERATIVE DIFFERENCE SURVEY AND STRATEGIC COMMUNICATIONS PLAN

CEO Case invited Member Services Manager Sheena Stricker to report on the Touchstone member survey and the communication plan for 2020. She explained how Fall River will focus on key branding elements to help educate and inform our membership. She explained they developed a marketing calendar and communication plan based on the areas the cooperative could improve based on the Touchstone member survey. Some of the key items include recognition that a Fall River consumer is a member and owner of the cooperative, safety, and becoming the trusted energy partner that members look to for any energy related topic. Telling our story and educating members on patronage capital will also be a focus. Short messages on YouTube and Snapchat will be developed. The younger demographics of the cooperative were discussed, and the goal will be to see that these focused topics improve on the next survey.

Fall River safety video link was shared with the board

https://www.youtube.com/watch?time_continue=10&v=aHdsmVKpnmM&feature=emb_logo

Accounts written to bad debt in January 2020 and Long-term debt portfolio and interest summary were provided to the board.

DONATION GUIDELINES

CEO Case reported on the guidelines for how we choose recipients for donations. Donating funds also provide advertising opportunities. Marketing Manager Ted Austin is very interested in the banners we receive for supporting community events.

The Administrative Committee oversees donations. Director Keay encouraged board members to review the donations and to ask questions if there are concerns with the amount or recipient of donations to provide an additional level of oversight.

President Schmier said in the past, the board approved each donation separately and it was time consuming. It is better to have the donations list for board review.

Legislative initiatives for Idaho, Montana and Wyoming were included for information.

REPORTS

BOARD REPORTS

Executive Committee Chairman Doug Schmier reported the agenda for the meeting will include general counsel evaluation process and potential overall bylaw review will be discussed.

Director Jeff Keay, chairman of the Administrative Committee reported the next meeting will be held before the regular Board meeting on April 20, 2020.

Director Jay Hanson, chair of the Finance Committee reported on the preaudit conference call.

Policy Committee Chairperson Dede Draper reported that the committee will meet on March 23, 2020.

Director Stiehl will be going to the WREA meeting.

Brent Robson reported that we just got through a tremendously windy and stormy period

and we had no outages. Fall River continues to improve in system reliability.

It was noted by President Schmier that he was is so grateful for the sacrifices made by our crews and their families to keep our lights on.

MANAGEMENT REPORT

CEO Case reported Ted Austin is working to invite all the local EMS workers, rotaries, Chamber of Commerce, City Council and County Commissioners to have lunch and watch an electrical safety demonstration put on by Fall River crews. This will be done in conjunction with the invitation for elementary schools' students to watch the same safety demonstration.

Discussion on the length of the agenda and our board meetings was held. Mr. Erickson said the level of engagement with the board is good. Our meetings are longer, but the board receives information that is helpful for board governance. He feels that it is healthy to have transparency. We have a robust agenda, but he feels it is a good problem to have. CEO Case feels proud of our board of directors and their knowledge of the industry issues. He added how important it is to have a good understanding of the industry for future decisions Fall River will be making. CEO Case took the suggestion made by the board, with some expressing they wanted less material and shorter meetings and others expressing they liked the format and information, and will strive to make some fine tuning to the board material and agenda.

ADJOURNMENT

There being no further business, **Director Keay 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 2:55 p.m.

DATE APPROVED: February 24, 2020


Secretary Brent Crowther