

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

January 23, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, January 23, 2017, at the main office of Fall River Rural Electric in Ashton, Idaho. Having determined a quorum was present, President Doug Schmier called the meeting to order at 10:08 a.m. Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by President Doug Schmier.

ATTENDING
OFFICERS

President Doug Schmier, Vice-President Debbie Smith, and Secretary/Treasurer Dede Draper

DIRECTORS
PRESENT

Brent Robson, Dan Skene, Ralph Burton and Ron Dye
Boyd Bowles via Conference

DIRECTORS
ABSENT

Jay Hanson

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, CFO Linden Barney and Operations Manager Trent Yancey
Also attending, Attorney Jerry Rigby

APPROVAL OF
AGENDA

Brent Robson made a motion to approve the Agenda as amended to include a draft schedule of the 2017 Annual Meeting Elections. Ralph Burton seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE
VOUCHERS

Dede Draper made a motion to approve the expense vouchers submitted for payment. Debbie Smith seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. Dede Draper asked for a point of clarification in regards to reviewing the credit card statements.

APPROVAL OF MINUTES

MINUTES OF DECEMBER 19, 2016 BOARD MEETING

Following a review of the minutes for December 19, 2016, Brent Robson made a motion to approve the minutes as presented. Debbie Smith seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Brent Robson made a motion to approve the consent agenda. Dan Skene seconded the motion which included Memberships, Purchase of Power Agreements, check reports, vouchers, safety reports, and capital credit reports. Hearing no questions or objections, THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENT

GM Bryan Case included in the board packet a copy of a member's email praising Fall River staff and the Cooperative. GM Case also stated he had visited with FRREC member, Tom Howell, this morning regarding the Idle Service Charge.

FINANCIAL AND STATISTICAL REPORTS

DECEMBER 2016 FINANCIAL REPORTS -

Staff reviewed the December 2016 financials and gave clarification when needed. Margins in December are \$3.5 million, which is \$1.2 million better than budget expectations. The financial statements included in the board packet are preliminary, as the accounting staff is working to prepare for the Cooperative's annual financial audit. The field audit starts on February 6, 2017.

The variance report provided additional information relevant to the increased margins. The report explained that the increase in gross revenue was due to an increase in the number of new members and represents a 2.6% budget variance or \$760,000 in additional revenues. Factors of this increase include a rise in kWh sales over the last year, more labor and overheads being charged to construct work orders on new services and site-specific work and less labor/overheads charged to operations and maintenance, and interest expenses on long-term debt being \$171,000 under budget (mainly due to debt being repriced at lower rates earlier in the year and variable interest rates staying low). Another noted variance was an increased resource support service cost for the hydroelectric plants. The upsurge was due to the downtime at Island Park hydro facility caused by lack of water. Staff also noted that controllable expenses are 9.4% under budget for the year, mainly due to the labor and overhead discussed above.

Other year-end figures reported: The cooperative generated \$5.5 million in cash from operations, invested \$2.7 million in plant, paid down \$2.3 million in long term debt and retired over \$1 million in patronage capital. Total capital spending was \$3.8 million.

GM Case did give further clarification on a few items in the financials report as well as on idle services and the process of retiring transmission services.

Capital budget site-specific projects, including the Fall River substation, have been completed mostly by in-house crews. More detail was given on IT expenses. Clarification was given on non-site-specific versus site-specific projects meeting established budgets.

COOPERATIVE BUSINESS

ANNUAL MEETING 2017 – ELECTION DATES

GM Case distributed draft dates for the 2017 Annual Meeting Elections. There will be a request at next month's board meeting for suggestions on names for the Nominating Committee. Boyd Bowles submitted the name of Randall Foster from the Driggs /Victor East district. Jay Hanson sent an email with the name of Gary Henrie from Teton/Victor area. Other districts will report with names at the next board meeting.

GENERAL POLICIES 505 and 610 –

Following a brief recap of the General Policies 505 and 610, Policy Committee Chair Ralph Burton presented GP 505 "Assistance to Area Development" and GP 610 "Employee and Director Purchasing" to the Board for approval. It was pointed out that a minor change was made to GP 505 at the previous Policy Committee meeting.

Ralph Burton moved to approve General Policy 505. Dan Skene seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Ralph Burton moved to approve General Policy 610. Dan Skene seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

GRAND TARGHEE OUTAGE –

GM Case turned the time over to staff to review the documents included in the board packet pertaining to a large outage that primarily impacted Grand Targhee. GM Case reviewed what went well and what didn't go well and outlined proposed solutions looking forward. There were difficulties with communications due to Relay Ridge being down; staff did well handling the situation. Fall River staff responded and worked hard to correct the problems. Staff followed safety protocols and practiced good communication. Access to resources for backup generation, ground thawing and excavation equipment was readily available; surrounding utilities were willing to send personnel to assist. Grand Targhee is a member of the Cooperative and staff knew that we had a commitment to get power fully restored and it showed in the work they did. Following the debriefing with management, it was determined the 16 hour time limit for both staff and management will be more firmly enforced. Other communication options for the future were discussed. Staff will conduct a thorough inspection of the line and substation to avoid future interruptions of power. GM Case continued with suggestions of potential long-term solutions including ensuring we have better more reliable communications, making the process to switch from the old 171 feeder to the 25 KV line easier, and placing the underground 25KV under the State Line Road in conduit. The possibility of purchasing a portable, mobile generator and other options for Grand Targhee were discussed.

MILLERS POND PROJECT –

An executive summary of the Millers Pond Project was included in the board packet. Staff had originally estimated the cost for the project to be approximately \$57,000. As the final costs were coming in, it became evident the project costs would be less than anticipated. Once all the figures are in, GM Case will provide the Board with a detailed report. It appears the cost of the project will be covered through contributions. It was noted FRREC has done its due diligence in avian protection and will continue with these efforts (which include construction design, line cover-ups, and bird diverters, etc.) in the future.

CFC VOTING DELEGATE –

Following a discussion on who was planning on attending the NRECA Annual Meeting and could serve as the CFC voting delegate, **Debbie Smith made a motion to nominate Dan Skene as the CFC Voting Delegate;** The motion passed by consensus. **Dan Skene made a motion to nominate Debbie Smith as the CFC Alternate Voting Delegate;** The motion passed by consensus.

BPA RECIPROCAL AGREEMENT TERMINATION –

GM Case gave clarification on the BPA agreement termination for mutual aid. A new agreement was proposed and executed.

BPA MUTUAL AGREEMENT –

Included in the board packet was the BPA Mutual Agreement which replaced the Reciprocal Agreement. GM Case gave clarification as needed.

PNGC BLENDED WHOLESALE RATE ANALYSIS –

GM Case reviewed the PNGC power point outlining a potential change in the PNGC business model being explored by PNGC and its board. The proposal treats BPA as a resource and blends BPA's costs with market purchases to cover the above high-water mark needs. GM Case explained with the blended rate analysis, most of the PNGC members will see a reduction in power costs. Currently, wholesale power market rates are lower than BPA's TIER 1 costs. Market forecasts point to low wholesale market rates for the next several years. Under this scenario, PNGC could attract additional Cooperatives to join the PNGC Power Pool which would help increase total pool loads, reduce costs per kWh, increase generation and load diversity and spread market risks. The commitment is expected to be long-term, 50-year agreement. GM Case will send out the Power Point presentation that shows the impact to FRREC under this new business model. It was noted that this is a conceptual business model and needs additional details defined and there are many unanswered questions. GM Case discussed the concept of generation and transmission pools across the U.S. All require long term commitments which are typically 50 years. Beth Looney from PNGC is scheduled to make a presentation at the FRREC March board meeting to address the board and answer questions.

BPA SUGGESTIONS FOR INTERNAL COST MANAGEMENT–

GM Case shared an internal BPA document which detailed a list of suggested cost-reduction steps they could incorporate in order to become more efficient. Elliot Mainzer, BPA, has been meeting with the new managers' group and seems interested in hearing their concerns and listening to the issues they face. The Administrator is meeting with several groups to get ideas to improve BPA.

CONSERVATION REVOLVING LOAN FUND –

GM Case had presented a concept for establishing a revolving conservation loan fund to encourage low-income households to take advantage of conservation incentives. Following further discussion with staff and the evaluation of other utilities' programs, it was determined that FRREC will continue using the low-income conservation program that is already in place.

DAVID HORNE & LUKE ROSE SECTION 242 REQUEST –

A copy of a request form from legislative lobbyists David Horne and Luke Rose was included in the board packet. The email stated they had received a letter from one of their larger contributors informing them that they were backing out because they lost their FERC license for a hydro. They were asking for an increase from \$1,000 a month to \$1,500 a month to continue their efforts to secure appropriations for Section 242 funding. **Boyd Bowles made a motion to continue with the contributions, making the increase up to \$1,500 a month, as long as Fall River continued to receive Section 242 funding. Ralph Burton seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

2017 LEGISLATIVE ACTIVITIES –

Idaho Unclaimed Patronage Capital Notification –

GM Case will send out the ICUA report that was received this morning detailing the proposed legislation that will change the responsibility of posting to a number of newspapers. Currently, utilities need to post public notices with authorized newspapers on a quarterly basis. Proposed changes to the legislation would allow utilities to give notice to the State Treasury who, in turn, will post unclaimed patronage capital electronically via their website. This will reduce the cost of providing public notice and will allow them to retain the unclaimed patronage capital.

Volkswagen's \$2.4M settlement for Idaho was discussed and the idea is that the money would be used to establish an electronic vehicle (EV) charging corridor throughout the State of Idaho. Staff will keep an eye on this and report as the situation develops.

Wyoming REA Legislative Update –

Highlights included coal tax discussion; Wyoming is struggling with revenue due to coal sales dropping off. Also included in the legislative update were segments on net metering and road side construction safety.

Montana Transparency Proposed Legislation -

A copy of the drafted Montana legislation was included in the board packet. As of now, Cooperatives would be included in the transparency legislation despite MECA's efforts to have them be exempt. FRREC and all of the Cooperatives in Montana are already voluntarily complying with the proposed utility transparency requirements.

2017 CAPITAL BUDGET ADDITION –

GM Case explained to the board the repair on the rental property in West Yellowstone was originally budgeted in the 2016 budget, but did not get completed due to scheduling conflicts with the contractor. There is still a need for the roof repairs. **Dan Skene made a motion to approve the addition to the capital budget to cover the cost of the roof repair on the property rental in West Yellowstone as discussed. Debbie Smith seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

The IT staff provided some brief Go to Meeting training and assisted with IT needs. Directors were encourage to call staff if they have any IT problems so they can be resolved right away.

SAVE OUR DAMS ARTICLE –

GM Case included in the board packet an article that was published by River Partners and talking points for the Board and Staff.

EXECUTIVE SESSION

Brent Robson made a motion to go into Executive Session. Debbie Smith seconded.

A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Brent Robson made a motion to go out of executive session. Dan Skene seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FOR INFORMATION PURPOSES –

CFC MATCHING GRANT FOR INTERNATIONAL EFFORTS –

CFC is offering to pay half of the costs to send staff to third world countries who do not have access to electricity. GM Case gave a brief overview; those who have participated in the past have reported that it's a very humbling, but good, experience.

ICUA BOARD REPORT –

Those who attended the ICUA Members' Conference reported the highlights. Most felt that some of the presentations went well, others not as well as expected. The Idaho Power presentation was very interesting and informative.

PNUCC REPORT –

GM Case distributed to the Board copies of the PNUCC Annual Report.

PPC 2016 ANNUAL REPORT AND 2017 INVOICE –
Documents included in the Board Packet for information purposes.

HYDROELECTRICITY POWER –
Articles were included in the Board Packet for information.

LINCOLN DAYS BANQUET –
The Lincoln Day Banquet will be held Saturday, February 4th in Idaho Falls. FRREC has a table with 10 tickets. Tickets were distributed to those that could attend.

2016 AT A GLANCE –
Included in the Board Packet was a slide show presentation reviewing some of the highlights that happened at FRREC during 2016.

CRC TRANSLATION SERVICES –
CRC offers translation services. Currently, FRREC has limited staff with Spanish-speaking capabilities. This will be a new service that FRREC will be taking the opportunity to use.

NRECA CERTIFICATION – DEDE DRAPER –
Secretary/Treasurer Dede Draper was congratulated for her NRECA Certification. Included in the Board Packet were examples of the articles printed in the local newspapers as a result of the recent press release.

STAFF THANK YOU –
Included in the Board Packet was a copy of the thank you sent to staff.

REPORTS

BOARD REPORTS –
Ron Dye reported on the ICUA Annual Meeting.
President Schmier reviewed the calendar of events and highlighting meeting dates that board members would need to attend.

BOARD COMMITTEES:
ADMINISTRATIVE COMMITTEE CHAIR – DEDE DRAPER
No report. Will be meeting on February 20th at 9:00 am.

FINANCE COMMITTEE CHAIR – BOYD BOWLES
Reported on the pre-audit conference call which happened on January 12th. The audit will start on February 6th and a full board report will be given at the April 17th Board Meeting.

POLICY COMMITTEE - RALPH BURTON

The Policy Committee report was given earlier in the meeting. The next meeting will be held February 14th, 2017 at 9:00 am. GM Case will work with Committee Chair Ralph Burton on updating the General Policy matrix.

MANAGEMENT REPORT:

General Manager Bryan Case gave a summary of the management report included in the board packet. Highlights included the all-staff meeting, specifically the power point presentations from each of the department managers (available for viewing on Dropbox). There was a discussion on the consolidation and the meaning of "on hold." A question was raised regarding Beartooth Electric, and what their plans were concerning consolidation with Lower Valley. In addition to the hydro reports included in the management report, GM Case informed the Board that the chain on the Chester rake had broken causing the rake, and possibly the boom, to get bent. It is currently getting fixed and will be installed as soon as possible. Island Park flows are still not high enough to run the facility. GM Case gave a brief update on the SEDC Retriever program; once the program is in place, staff will start working on record retention of the vault files.

ADJOURNMENT

There being no further business, **Brent Robson moved that the meeting be adjourned. Debbie Smith seconded.** By consensus, the meeting was adjourned at 2:31 p.m.

DATE APPROVED: February 20, 2017


Secretary, Dede Draper