

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

October 17, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, October 17, 2016, at the main office of Fall River Rural Electric in Ashton, Idaho. Determining a quorum was present, President Doug Schmier called the meeting to order at 10:04 a.m. Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by Ron Dye.

ATTENDING  
OFFICERS

President Doug Schmier, Secretary/Treasurer Dede Draper and Past President Jay Hanson

DIRECTORS  
PRESENT

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

DIRECTORS  
ABSENT

Vice-President Debbie Smith

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, CFO Linden Barney, Operations Manager Trent Yancey and Engineering Manager Dave Peterson

APPROVAL OF  
AGENDA

**Jay Hanson made a motion to approve the Agenda. Brent Robson seconded.**  
A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

REVIEW OF BUDGET 2017

TEN YEAR FINANCIAL FORECAST SUMMARY

Staff reviewed the Ten Year Forecast, explaining the assumptions were based off of the historical data and forecasted 2016 activity. Other assumptions included a 1.5% member growth rate; retail rate increases of 1% every other year through 2022 with a 3% increase in 2024; cost of purchased power increases of 7% every other year; spending in 2018 is based on a five year average increasing thereafter at member growth rate; patronage capital payouts based on 20 year average rotation; interest rates increasing 1/4% per year

starting in 2018 until effective rate of 5.75 in 2024; costs associated with Form 7 lines 5-6 will increase 3% per year; costs associated with Form 7 lines 7-10 will increase 2-2.5% per year; the forecast assumed an increase in hydro expense of 3% per year starting in 2018. Staff noted that since there has been significant financial improvement, Fall River was able to absorb most of the cost increases and the goal in the 10 year financial forecast was to achieve the financial strategies the board had set while keeping retail rates for our members as low as possible. As staff proceeded through the presentation, there was some discussion of the boards approved strategy of obtaining an equity ratio of 38% by 2019. The goal was established by the board to provide access to low cost long term debt and increase financial flexibility to act on business opportunities when identified. Additional clarification and explanation was given by GM Bryan Case.

#### BOARD OF DIRECTORS BUDGET

Staff reviewed the Board of Directors Budget. Explanation and clarification was given by GM Bryan Case. The budget was based on the 2015-2016 budget, keeping most line items the same. GM Case gave explanation of the process of a member committee review of director's compensation, which is typically done every 5 years, therefore Fall River should plan on a review to be done in 2018.

Following some discussion on the amount of time that is required of the President, **Ralph Burton made motion to increase the Presidents compensation to \$300 a month. Brent Robson seconded.** A voice vote was taken, **THE MOTION CARRIED BY UNANIMOUS VOTE.** President Doug Schmier sustained from voting.

#### PROPOSED 2017 OPERATING BUDGET

Staff reviewed the 2017 Proposed Operating Budget, explaining the assumptions used in the proposed budget, with additional discussion and explanation given by GM Bryan Case. Staff continued going through the trends, looking at multiple years to make sure we are on target. Staff went through the labor analysis. Discussion continued with GM Case giving additional explanation on benefits and the labor analysis. As staff reviewed the proposed Budget Summary, they covered the major variances. Clarification was given to the Directors on items they had questions on. Transmission tree trimming will be clearing the kv46 transmission easement. The past investment in tree trimming and reclaiming line clearances has greatly reduced the number of tree caused outages and was worth the investment in reduced outages and personnel time. Significant differences in the budget include a long term, 10 year engineering study analysis used as a management tool to ensure long range planning of electrical infrastructure. GM Case reminded the board the decisions made for capital projects impact the utility for 60 years. Emerging trends in the industry include distributive generation, battery technology, smart grid technologies, cyber security, and energy conservation which all need to be considered in developing how Fall River's electrical facilities will used and managed in the future. Other budget variations include a reduction in pole testing, reduction in bad debt expense, a natural gas survey and analysis, and an IT wiring project. Staff is anticipating more interest income, along with a loss in propane due to expansion of the business into the Star Valley, Wyoming area. GM Case gave clarification on the member surveys included in the proposed 2017 budget.

## PROPOSED 2017 CAPITAL BUDGET

The proposed 2017 Capital Budget was reviewed. Staff provided detail information on non-site and site specific projects. Site specific projects included the Bates to Packsaddle Road, Stateline North, Sawtelle line replacement, Fox Creek, Shotgun air brake switches (ABS), Farnum Corner ABS, Henrys Lake ABS, Last Chance overhead replacement, 7000 S. Reconductor, and the Pinehaven Substation Recloser. Projects are prioritized by evaluating load capacity, outage reports, line kWh losses, members impacted, and Fall River's overall system resiliency. Adding additional fiber to Fall River's fiber backbone system was also discussed. The Board would like to see in there is a way to seek partners in further developing fiber infrastructure. Other capital budget items included vehicle replacements, computer equipment, and software. The board asked about standard for vehicle replacements. Fall River has a replacement guideline with the goal of ensuring that when outages occur or staff needs to work they have access to safe and reliable equipment. The FR guideline is to replace vehicles with 5 years of service or 165,000 miles. However, with FR mechanic the Cooperative is able to maintain reliable vehicles well beyond the industry guide. This year vehicles being replaced include replacing vehicle # 7 with almost 200,000 miles and 11 years old; vehicle #29 with over 150,000 miles and 14 years old; and vehicle #111 with over 175,000 miles and 8 years old. Staff is also looking at alternatives to reduce cost of the Sawtelle project by adding fiber to the line up to Sawtelle and having a third party pay for a portion of the cost.

Staff reviewed Fall River's Transmission System diagram which was included in the board packet, giving explanation of Fall River's 115 KV line and the 46 line. GM Case gave input on the proposed Hooper Springs transmission line, which would be routed through Soda Springs and connect to Fall River's system at the Targhee substation, giving FRREC another option for back-up transmission.

Clarification was given on the "MyMeters" software and plans to migrate functionality to the FRREC smart app. FRREC has met with SEDC to get the app updated to do everything "MyMeter" does. Once that is completed, then FRREC will be able to transition out of my meter.

**Boyd Bowles made a motion to present the Operating Budget & Capital Budget with the adjustments discussed, with a recommendation to the full board at the next regular board meeting on October 31, 2016. Brent Robson seconded the motion.**

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

GM Case extended his appreciation to staff for all their hard work.

## ORGANIZATIONAL CHART

GM Bryan Case presented the FRREC Organizational Chart. Filling the vacancy for the PR/Marketing position has been on hold during the consolidation discussions.

EXECUTIVE SESSION

**Dan Skene made a motion to go into Executive Session. Jay Hanson seconded the motion.** 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.

ADJOURNMENT

There being no further business, by consensus, the meeting was adjourned at 1:20 p.m.

DATE APPROVED: \_\_\_\_ October 31, 2016 \_\_\_\_

  
Secretary, Dede Draper