

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

October 22, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, October 22, 2018 at the main office of Fall River Rural Electric in Ashton, Idaho. Having determined a quorum was present, President Schmier called the meeting to order at 10:00 a.m. Executive Assistant Joni Amen, recorded the minutes. The invocation was given by President Schmier. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Doug Schmier, Secretary/Treasurer Dede Draper, and Vice President Brent Robson

DIRECTORS PRESENT

Georg Behrens, Brent Crowther, Ron Dye, Jeff Keay, Jay Hanson, and Debbie Smith

DIRECTORS ABSENT

None

OTHERS

CEO/General Manager (GM) Bryan Case, Legal Counsel Attorney Jerry Rigby, CFO Linden Barney, Propane GM JT Hill, Manager of Engineering Dave Peterson, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

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

EXPENSE VOUCHERS

Secretary Draper made a motion to accept and approve expense vouchers. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

Director Hanson then made a motion to approve the Board Minutes of September 17th, 2018 as corrected. 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. Vice President Robson seconded the motion which included memberships, purchase of power agreements, check register, safety report, and the discounted patronage capital refunds report. Following discussion, a voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE REPORTS

Secretary Draper e-mailed the ICUA report to the directors and staff. CEO Case commented appreciated the detailed report she prepared.

CEO Case announced that Director Georg Behrens has complete the NRECA Credentialed Director Board Certification.

The MECA Safety Award for 3 years of no lost time accidents was presented to CEO Case by President Schmier.

Director Keay said he appreciated the hydro tour held earlier this month and said he got a lot of good information. He said it was nice to see Fall Rivers' hydro's in person so when there is discussion, he has a better understanding. He also appreciated the list of news articles CEO Case emailed. They were very informative.

CEO Case talked about the hydro tour and said that as they were driving down the steep road to Felt, there were some bad spots in the road that needed to be repaired. After trying to find a contractor to fix it and having no luck, Director Robson was asked to do the work.

Director Behrens said that the NRECA Regional meeting this year was very interesting, and he enjoyed the dam tour as well. He reported that he has also watched the crews work and was very impressed with their professionalism.

Director Hanson enjoyed the NRECA Region 7&9 meeting. Most of his time was spent on CFC business. He also attended a deposition review meeting at the Fall River Ashton office last week.

Director Robson said he feels that when there is an opportunity to tour our facilities, he wants to do that. He likes attending industry meetings and appreciates the opportunity. He regretted that he was unable to attend the NRECA regional meeting this year.

President Schmier said he attended the NWPPA Annual meeting, which was very good. The officers were reelected and stayed the same. He doesn't anticipate a rate increase for NWPPA association dues.

CEO Case showed a video on recycling energy which outlined a procedure for capturing or extracting CO₂ from the atmosphere and through a chemical process creating fuel which can be used in combustion engines. It was said the process could result in a carbon neutral fuel, and they can use existing combustion vehicles without the need for conversions to use that fuel. It is in the proof of concept phase, but the new technology was thought provoking.

Propane General Manager JT Hill gave a PowerPoint presentation on the quarterly Propane business to the Board. He emphasized the Safety record of his staff and how proud he was in their safety record. Financially, Propane's efforts are exceeding budget expectations for net margins but know they have work to do to maintain the positive progress they have made to date. GM Hill went over his department and management goals and reported how they are doing. He has been contacting folks and proactively selling and he plans to do more of this in the future. He has been looking for property to set a distribution system tank in Alpine. The DOT is reimbursing Fall River Propane for the expenses. GM Hill will spend more time in Star Valley in the future. The Legacy area is doing very well.

GM Hill said container legislation that has been proposed is a safety issue. CEO Case reported that Will Hart of ICUA is helping with pushing legislation through and he feels that it has a good chance of making it. Propane's financials for September will be emailed once they are finalized.

MEMBER COMMENTS

Member Sandra Walters emailed her concerns on the Endangered Species Act, which were addressed. CEO Case reported on his response to the member. Discussion ensued.

There have been some outages reported due to the wind in Island Park.

President Schmier reported on a member that wanted internet services.

FINANCIAL & STATISTICAL REPORTS

September 30th Financial Report was presented by CFO Linden Barney. He reported that net margins are ahead of budget by \$1.2M. Revenue were 2% better than budgeted. The hydro's are performing well this year due to a good water year. It was noted that there are significant maintenance expenses that will be reflected before the end of the year.

Labor and interest expenses are both under budget. Our debt is decreasing. Controllable expenses are under budget mainly due to timing issues. Anticipated expenses will be coming in at the end of the year on capital projects. Capital costs are at 64% of budget and there are a few jobs that will be carried over to next year's capital budget.

The proposed 2019 Operating and Capital Budget were presented to the Board.

Director Hanson made a motion to approve the 2019 Operating Budget and the 2019 Capital Budget as discussed. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

POLICY REVIEW

GP 604 SELECTION OR PROMOTION OF PERSONNEL

Director Hanson made a motion to approve General Policy #604 Selection or Promotion of Personnel as recommended by the Policy Committee. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

GP 700 Cyber Security

Director Hanson made a motion to approve General Policy 700 Cyber Security as recommended by the Policy Committee. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FALL RIVER BOARD GOVERNANCE REVIEW

CEO Case went over the governance task force report and picked up where we had left off last month. He noted the recommendation from the governance task force to prohibit board members from becoming employees. Several cooperatives have addressed this by modifying by-laws to require a time period of as little as 2 years to a maximum of 5 years. The premise of not allowing board members to become employees of the cooperative for a period of time is the use of power or influence of their position as a board member and the negative perception of members that an inside deal was implemented to hire a board member. Discussion was held on making a by-law change

which mimic a similar time period of three years currently contained in Fall River's by-laws where a previous employee cannot serve as a board member for three years.

Secretary Draper then made a motion to revise the language in the Fall River By-laws to add a bylaw provision which addresses the length of time a director must wait until becoming an employee for at least 3 years. Director Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Discussion regarding Board transparency was held. Fall River makes available our policies, meeting dates, minutes, financials, and other Cooperative updates available through the website, Flashes, Facebook and other media. The Cooperative also engages members who act as nominating committee members, board compensation committee, and other various ad hoc committees to address larger members issues. Having a Compensation Committee to make a recommendation for Board salary and knowing what duties a Board member has, is a good thing.

Member data policy was discussed, and the concerns of contact information or other sensitive information being provided to members. Attorney Rigby said that we must control the information and a fee should be charged for any Board approved information provided. We must be sure that it is used properly, only for Cooperative business. The policy update regarding member data will go before the Policy Committee next month.

Discussion continued on the Governance Task Force Report. CEO Case said we will pick up next month at #1. *Defining Good Governance.*

PNGC DIRECTOR NOMINATION CERTIFICATE

Director Hanson made a motion to approve the PNGC Certificate of Director with Bryan Case serving as the Director as presented and Doug Schmier as the authorized alternate director. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXECUTIVE SESSION

Director Hanson made a motion to go into Executive Session. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson made a motion to go out of Executive Session. Director Keay seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

3RD QUARTER GOAL ACCOMPLISHMENTS / WORK PLAN PROGRESS

Goal and work plan progress was discussed and there are a couple of areas where the Cooperative may not make the goal outlined goals but currently it looks like the staff will exceed 80% of the established goals. CEO Case feels the progress on goals accomplishments have been significant.

SOLAR FOR SCHOOLS UPDATE

John Palm of Bozeman Green Build was scheduled to be here last week, he wasn't able to come for the site inspection and is rescheduling. Hopefully the weather will hold out, so they can begin construction on the projects this fall.

HYDRO FACILITIES UPDATE

The Hydro Facility Tour on October 5th was attended by Directors Keay, Behrens, Robson, General Counsel Rigby, and CEO Case.

Manager of Engineering Dave Peterson gave a report on status of the hydro's:

Island Park – The gates were leaking have been cleaned and repaired. They do need to get a track hoe to clean out some gravel and may need to dredge sand and rocks to allow one of the gates to open completely. The Island Park plant is operational with available water and work to address dissolved oxygen levels is in the review process. They have a meeting scheduled with Henry's Fork and Fremont Madison District. Fall River is proposing to modify the D.O. requirements, increase during critical reproductive and hatching cycles and decreasing D.O. requirements at other times. The replacement and repairs of existing blowers and other options are also being considered. There are funds budgeted for maintenance and repairs at Island Park. The large blower has some broken fins which are difficult to find and are manufactured outside the United States.

Buffalo – The annual inspection was conducted by the Forest Service and there are no findings related to the operations at Buffalo and the plant is running well.

Felt – Fiber has been installed to the Felt plant and a new operating system was installed. It is taking some time to get everything working together. Road access to the Felt Plant was discussed earlier.

Chester – Engineering Manager Peterson reported that the boom on the rake is repaired and staff has gone to pick it up. The stator has been installed. CEO Case noted the repairs on the stator were covered by our insurance provider. Manager Peterson recently dove and inspected the tailrace gates and forebay screens. He said they are clear and look good.

EMPLOYEE SURVEY RESULTS

CEO Case went over the employee survey of which 80% of the employees at Fall River participated in. The results were good, and CEO Case went through the top ten and bottom ten to survey questions. He indicated the Cooperative will do a survey every couple of years from now on. Overall the survey indicates employees are happy with Fall River and the work they are engaged in doing. While employee satisfaction exceeded 90% there were a few areas where it looks like improvement could be achieved.

DONATIONS

CEO Case presented the donation Report.

REPORTS

BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

Finance Chairman Jay Hanson reported that the Board approved the 2019 Operating and Capital Budgets as recommended by the Finance Committee.

Policy Committee Chairperson, Dede Draper reported that the Policy Committee meeting was postponed until next month.

CEO Case said we are going to be doing a public relations blast on the Smart Home project to bring maximum attention to the pilot project.

Attorney Rigby reported that there is an issue of a Yellow Billed Cuckoo which is on the endangered species act, being on the South Fork. There have been activists who heard them call but have not seen them.

Director Dye said that the cell tower at Valley View is almost complete and will help service in Island Park.

CALENDAR

The Christmas Party is scheduled for November 30th at the Mountain River Ranch. The next Board Meeting is scheduled a week earlier on November 19th.

ADJOURNMENT

There being no further business, **Director Robson moved that the meeting be adjourned. Director Behrens seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 3:05 p.m.

DATE APPROVED: November 19th, 2018


Secretary Dede Draper