

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

November 18, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday November 18th, 2019, 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 10:00 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Director Dede Draper. The Pledge of Allegiance was recited.

Prior to the start of board meeting optional Board Packet Training (Adobe Expert) was conducted by Fall River IT.

ATTENDING OFFICERS

President Doug Schmier, Vice President Brent Robson, Secretary/Treasurer Husk Crowther, and Past President Jay Hanson

DIRECTORS PRESENT

Dede Draper, Jeff Keay, Jodi Stiehl, Anna Lindstedt, and Georg Behrens

DIRECTORS ABSENT - NONE

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, Engineering Manager Dave Peterson, CFO Linden Barney, Member Services Manager Sheena Stricker, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

Director Keay asked to add an agenda item to discuss the board acceptance of submitting alternate views and opinions. CEO Case asked to add a wholesale power strategic thinking exercise. **Vice President Robson made a motion to approve the Agenda as amended. Director Hanson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

Director Crowther made a motion to accept and approve Expense Vouchers as presented. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

Director Hanson made a motion to approve the October 28th, 2019 Board Minutes as corrected. Director Robson seconded the motion. An amendment to the original motion to correct additional items on the minutes was made by Director Stiehl and seconded by Director Lindstedt. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Stiehl made a motion to approve the Consent Agenda. Director Lindstedt 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.

COOPERATIVE REPORTS

BOARD REPORTS:

Director Stiehl reported that she spoke to a board member of a large electric Cooperative and in comparison, Fall River is engaged in and pursuing similar strategies.

Director Keay reported he heard from several members that expressed appreciation for the Cooperative being able to absorb wholesale cost and understand the adjustment to the retail rates.

Last Month Director Hanson attended a CFC Board meeting where there were some very impressive speakers. He reported that the financial outlook for the future is positive. He was also in a discussion about electric vehicles and how retail rate structures are important. His takeaway was from a Blue Angel's Pilot and the lesson to honestly evaluate ourselves before we evaluate others.

Director Lindstedt said that she had several members from the younger subset approach her with questions on the rate adjustment and she felt like they understood and appreciated what the Cooperative was doing.

It was reported that Mrs. Thompson expressed appreciation for the Lineman Scholarship that was awarded to her son Spencer last month.

Attorney Jerry Rigby reported that he has attended WSWC water meetings in Colorado and a topic on how expensive the cleanup is on abandoned mines was held as well as insuring waters for municipalities.

MEMBER COMMENTS

Charles Woodward's letter on his view of the changing electrical grid and Fall River's reply was discussed.

FINANCIAL REPORTS SEPTEMBER 30, 2019

CFO Barney reported the Cooperative has net margins which are \$735K better than the year to date budget expectations. Sales of kWh's has been higher than anticipated and it is higher than the past 5-year average, mainly due to the cold wet spring and cooler temperatures arriving early in the spring and the cold October that we have had. We have not seen expected precipitation in November, which is a concern. Growth of 2.5% in new services has a positive impact on the bottom line as fixed costs are shared by the additional services. The Cooperative has paid off \$3.7M in long-term debt year to date. Fall River will end the year with an estimated 42% equity ratio. This is slightly lower than the 43.4% currently. The equity ratio will go down after Fall River pays Patronage Capital to its members of a little over \$1M. Discussion on the hit agriculture has taken due to depressed prices and the early frost in the potatoes was held and concern for our farmers was expressed. Planned expenses for computer purchases, tree trimming, and pole inspection are yet to come in, which contributes to being 3.5% under budget year to date.

CEO Case said that our long-range plan is in line with the growth rate in new services.

COOPERATIVE BUSINESS

ALTERNATE VIEWS AND OPINIONS ITEM

The Board discussed the past and future practices of including alternate views and opinions in our discussions with a desire to look at topics from all sides of an issue. There was support of having board members ask questions and discussions even if members of the board don't necessarily agree with a specific point of view or approach. The Board discussed the value of a robust discussion and the desire to have a well-balanced conversation as an important aspect of the Boards due diligence for our members. The Board determined there is an environment of acceptance to have those discussions and the consensus was to ensure Directors feel free to express themselves and discussed the Board's responsibility to ask the difficult questions and share alternate points of view.

Attorney Rigby provided counsel and appreciation for the open, diligent discussion the Fall River Board has. A discussion ensued on how much information should be included in the minutes to provide transparency and capture the actions of the Board. If the minutes have not captured the essence of the Board's conversations, Directors will offer suggested changes while minutes are being discussed for approval.

2020 WORK PLAN AND COOPERATIVE GOALS

Strategic Vision and Objectives; and 2020 Work Plan, Budgets, and Goals Binder was handed out.

RATIFICATION OF RETAIL RATES – CORRECTION TO SMALL COMMERCIAL RATE

There was an error on EES's presentation on the small general service rate. The corrected kWh rate was presented and corrected in Fall River's retail rate tariff sheets.

Director Crowther made a motion to ratify the correct kWh rate on Small General Services of .05766. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

POLICY COMMITTEE REVIEW AND RECOMMENDATION FOR THE FOLLOWING GENERAL POLICIES:

Director Draper lead discussion on the proposed changes and review of the general policies presented to the Board for consideration. A question was asked about the code of conduct for the Social Media Policy. A discussion on what is acceptable will added to a future board agenda item.

Director Key made a motion to approve the updates to the policies listed: General Policy # 318 Easy Pay Option, # 614 Work Standards & Personal Conduct, # 617 Community Service, # 422 Idle Services, # 501 Member and Public Relations, # 608 Compensation Administration, # 615 Social Media, # 402 Rules and Regulations Customer Service and Line Extension, # 304 Retail Rates, # 315 Equity Management, # 609 Reimbursement of Business Expense, # 415 Use of Cooperative Tools, Equipment, Facilities, # 417 Personal Protective Equipment and Flame Resistant Clothing, # 612 Employee Housing Incentive Pay, and # 613 Guideline For Use of Cellular Telephones and Other Electronic Equipment as recommended by the Policy Committee. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

AD HOC COMMITTEE RECOMMENDATION FOR BYLAW CHANGE

The Member Ad Hoc Committee reviewed recommendations from members and the Member Nominating Committee. From those recommendations the Member Ad Hoc

Committee requested the Fall River Board consider a proposed change to the Cooperative's bylaws. The Committee felt members of the Cooperative should decide if the bylaws should be changed to have a runoff election process if no one candidate receives at least 50% of the members vote. The committee looked at several other options before coming up with this recommendation.

This is the second Committee meeting in the past couple of years and Director Hanson reminded the board that the topic of securing a specific percentage of the voting members had come up prior to that through the Nominating Committee several years ago. The question was asked why a second Member Ad Hoc Committee was established to explore the voting process when the Member Ad Hoc Committee in 2018 had recommended no changes to the bylaws. Suggestions for changes to Fall River's bylaws came from members at annual meeting and suggestions from the Member Nominating Committee. Those suggestions included repeats of old suggestions along with new suggestions. Those suggestions included a board candidate must be a US Citizen; limit the number of members that can run for a given voting district; only vote for Board candidates within a members voting district; prorating members votes based on number of kWh's a member uses; allowing one vote per meter instead of one vote per membership; and a candidate must secure 50% of voting members or have a runoff between top two candidates. The Board discussed those member suggestions in July and the board voted to establish a Member Ad Hoc Committee to discuss and make recommendations to the board. Two members who served on the 2018 Ad Hoc Committee also served on this committee. Legal counsel Jerry Rigby was present at the meeting and reported the Ad Hoc Committee had robust discussions on each of the topics with the intent of finding a workable solution for the concerns that had been expressed. Each suggestion was examined, and the committee made motions on each of the proposed suggestions. Ultimately, there was only one of the suggestions that was approved by the Ad Hoc Committee as a recommendation to the Fall River Board. The committee felt, with multiple candidates running, it would be fair to take the top two candidates and have a runoff if no one receives over 50% of the vote. Costs were discussed, but the Committee felt it was important to have a majority of the voting members supporting the elected candidate. Board discussion ensued.

Director Hanson made a motion to delay the decision on the bylaw change recommended by the Ad Hoc Committee and place the item on December's agenda. Director Crowther seconded the motion. Three Directors indicated that they would not physically be at that meeting. A voice vote was undetermined, so a raising of hands vote was taken; THE MOTION FAILED.

Following further discussion, Director Hanson made a motion to accept the recommendation of placing the bylaw changes on the ballot as suggested by the Member Ad Hoc Committee. Director Robson seconded the motion. A vote was taken by raising of the hands; THE MOTION FAILED.

Additional board discussion occurred.

Director Robson asked to revisit this issue in January and made a motion for further consideration of the bylaw change on the ballot as suggested by the committee on the January agenda. Director Lindstedt seconded the motion. A voice vote was taken; THE MOTION PASSED WITH SEVEN VOTING YEAH AND ONE VOTING NAY.

STRATEGIC THINKING EXERCISE.

CEO Case handed out a quiz to engage the Board and Management in strategic thinking

on securing power for the future. Discussion as to the need for additional education on this complex issue was held.

Mr. Case asked when the best time is to decide whether to sign a BPA contract or not, and most felt that later, closer to 2028 was best. Following discussion on the complexity of signing a contract, being ready for a decision and how it takes years for this process; the consensus was to make the decision between 3 and 5 years prior to 2028.

Participating in organized market was discussed.

In looking at how to pick a strategy if Fall River needed 100 MW. Some concerns mentioned were:

- Power diversity
- Fish and environmental costs
- Access to transmission capacity
- Alternatives and options available if BPA does not perform as expected
- More flexibility
- Expect price certainty – No blank check
- Selecting the length of a power contract commitment
- Tie power costs to predefined index with the potential for a cap or collar
- Work to have exit and on ramps for contracts
- Expect BPA to be nimbler while assuring base capacity

Other discussion items were looking at all options with costs, BPA's strategy, objectives and comparing and tracking expectations of other utilities in the Northwest.

Discussion on taking out the dams was held and what those costs could be. Fall River has other options if costs become an issue, such as UAMPS, wholesale energy markets, PacifiCorp, Idaho Power, NRU and BPA products.

CEO Case said that we will continue to look at various options and models and help BPA through the process by letting them know what Fall River expects in future power contracts.

ACTIVITIES AT PRC AND PNGC

CEO Case said that they had one of the last PRC meetings last month. It is being dissolved. He explained that PRC had outlined the process in strategic planning in 2012 and that those plans had been realized with the sale of assets.

It was also noted that CEO Case had been elected as PNGC's Secretary/Treasurer.

BPA AND THE EIS FOR THE NEW BIOLOGICAL OPINION

The full report was included in the Board Packet.

Attorney Rigby reported that the Columbia River Treaty negotiation is going nowhere fast. Jill Smail will hold another public hearing soon to get back into it. Canada brings value in managing flood control, but those costs are typically born by taxpayers and not electric rate payers. The current goal of the US ratepayers and storage holders is to provide evidence to the negotiators that Canada has and will continue to receive benefits with the current treaty in place.

RESOLUTION #649 AUTHORIZE AMENDMENT TO NRECA 401K & R&S PLANS
Following discussion, **Director Hanson made a motion to approve Resolution #649**

authorizing the amendment to the NRECA 401(K) and RS plans as presented. Director Crowther 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 at 1:40 pm; Director 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 at 1:45 p.m. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION

RECAP OF THE TETON BASIN OUTAGE

CEO Case reported on the process of the BPA outage. Process improvements were made by installing dual locks so Fall River has a way to open and operate BPA equipment and will coordinated those operations through BPA. We had staff that were standing by and they could have ordered a switch operation to reduce the outage length. BPA staff thought that we didn't have the authority, this was corrected by educating BPA dispatch staff. The cause of the 5-hour outage was due to the error in parameter settings on their equipment making it unable to pick up the cold load.

Some of the comments that members shared on Facebook were discussed.

Emergency preparedness is a concern in the wintertime. We should encourage members to have power backup system such as a generator, especially if they have no other heat source. It is not unheard of to have a two-week outage. Education is needed on how we can be sure we are prepared for an extended outage due to a disaster such as an earthquake or Goshen Substation problem. We need to encourage self-reliance and emergency preparedness.

FALL RIVER FOOD DRIVE "STUFF THE TRUCK"

The schedule was provided to the Board for where and when our foodbank fund raisers will be held. Fall River Helping Hands will accept checks for donation and give it to the local food banks.

PATRONAGE CAPITAL GENERAL RETIREMENT LETTER TO MEMBERS

Checks will go out mid-December.

MECA SCHOLARSHIP APPLICATION TO BE SUBMITTED BY JANUARY 24TH

Fall River Scholarship Advertising is commencing. The MECA Scholarship application deadline is January 24th. Eligible students will be encouraged to apply.

HYDRO FACILITIES UPDATE

Island Park - Fully operational and anticipate running the rest of the year, given a good water year.

Buffalo – Running well

Felt Hydro – Running well, they have cleaned up the bat guano and are moving forward with plans to repair turbines and upgrade controls.

Chester – Given available water, one turbine is running. Chester shut down in October for a few days when we had early freezing temperatures.

DUES BY ASSOCIATIONS

CEO Case gave a report of the Associations Fall River is a part of and the annual dues that are paid. He asked if the Board felt there was value in belonging to those associations. The MT Taxpayers group was discussed.

ANNUAL FIELD AUDIT WORK FEBRUARY 3RD THROUGH THE 5TH

Jan 15th Pre-audit Conference call at 9:00 a.m. will be held. This is the last year for the 3-year term for audit services. An RFP for a new auditing contract will be sent out after 2019 year is closed and the audit complete, in June or July 2020.

REPORTS

BOARD REPORTS

Executive Committee Chairman, Doug Schmier had no report.

Director Jeff Keay, Chairman of the Administrative Committee, reported that the next meeting will be scheduled January 27th.

Engineering & Operations Chairman, Brent Robson had nothing to report.

Director Jay Hanson, Chair of the Finance Committee reported on the preaudit conference call scheduled for January 15th at 9:00 a.m.

Policy Committee Chairperson, Dede Draper reported that we will discuss any new policies that may be needed. Jerry Rigby said he has an NRECA policy manual that might be helpful. The next meeting will be sometime the first quarter of the new year.

MANAGEMENT REPORT

President Schmier reported that MECA will be having a new strategic planning meeting.

Director Key made a motion to cancel the December Board Meeting due to the fact that so many will be absent. Director Draper seconded the motion. THE MOTION WAS RESCINDED. The Board will determine if a meeting is needed or not later.

ADJOURNMENT

There being no further business, **Director Robson made a motion to adjourn. Director Hanson seconded the motion.** A voice vote was taken; **THE MOTION CARRIED BY UNANIMOUS VOTE.** The meeting was adjourned at 2:30 p.m.

DATE APPROVED: December 16, 2019

Brent E Crowther

Secretary Brent Crowther