

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

December 19, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, December 19, 2016, 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 10:13 a.m. Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by Dan Skene.

ATTENDING
OFFICERS

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

DIRECTORS
PRESENT

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

DIRECTORS
ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, CFO Linden Barney and Engineering Manager Dave Peterson Also attending via conference call, Jerry Rigby, Attorney.

APPROVAL OF
AGENDA

Due to a schedule conflict, GM Case requested the Executive Session be moved on the Agenda to follow the financials report.

Jay Hanson made a motion to approve the Agenda as amended. Boyd Bowles 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. Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

MINUTES OF NOVEMBER 14, 2016 BOARD MEETING

Following a review of the minutes for November 14, 2016, Jay Hanson made a motion to approve the minutes as presented. Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Hearing no questions, Jay Hanson made a motion to approve the consent agenda.

Boyd Bowles seconded the motion, which included Memberships, Purchase of Power Agreements, check report, vouchers, safety report, and capital credit report.

Following discussion and hearing no objections, THE MOTION CARRIED BY UNANIMOUS CONSENT.

MEMBER COMMENT

GM Bryan Case reported FRREC received notification of a complaint from a member in Rexburg regarding a billing matter. GM Case gave the background of the situation that took place, along with the steps staff has taken to resolve the issue. The complaint is on file at the Better Business Bureau, along with FRREC's response, and is public record.

Debbie Smith had another member inquire about processing payments out of state. GM Case reiterated the reasons behind moving the billing processing off-site; it is fiscally responsible to the members. There was discussion on changes as a whole, as everyone strives to be more efficient with time and money.

FINANCIAL AND STATISTICAL REPORTS

NOVEMBER 2016 FINANCIAL REPORTS -

Staff reviewed the November financials, giving clarification when needed.

Margins in November were at \$3.2 million. Labor and overhead is under budget due to more capital projects and less staff than anticipated. This is the largest contributing factor to the favorable operating budget. November reports show revenue is slightly exceeding the budget and power costs are slightly under budget. Interest expenses are also slightly under budget. The Cooperative was financially able to finance more of the propane expansion than anticipated and interest rates have remained low. From a cash flow perspective, the Cooperative was able to pay out members' Patronage Capital as well as pay higher wholesale power costs without needing to access the line of credit. Fall River usually uses the line of credit starting in November, but due to improved financials at the Cooperative, a line of credit won't be needed until January. The line of credit is typically paid off by May of each year.

EXECUTIVE SESSION

Brent Robson made a motion to go into Executive Session. Jay Hanson seconded.

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

Jay Hanson made a motion to go out of executive session. Brent Robson seconded.

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

Jay Hanson made a motion that it is the Board's intent to move forward with relicensing the Felt Hydro facility with FERC, directing staff to move forward. Boyd Bowles seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Jay Hanson made a motion to direct staff to continue to negotiate an early buy-out of the Felt Hydro lease agreement under those terms discussed in Executive Session. Debbie Smith seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

WYOMING PSC LETTER & RESPONSE –

GM Case reviewed the letter and FRREC's response to the Wyoming Public Service Commission. In a recent inspection of Fall River's facilities in Alta, Wyoming they noted a frayed conductor. Staff made the simple repair on what looked like gunshot damage to the wire and the report is on file.

GENERAL POLICIES 306, 407 AND 503 –

Policy Committee Chair Ralph Burton gave a brief recap of the process the Policy Committee goes through in reviewing each policy and making needed changes before making recommendations to the whole Board for approval. A few additional minor changes were made to GP 407 Meter Testing, which were pointed out. Chair Ralph Burton presented GP 306 Consumer Accounting Practice and GP 407 Meter Testing to the Board for approval, with the recommendation to retire GP 503 Newsletter to the Members. **Jay Hanson moved to approve General Policy 306 and General Policy 407 and to retire General Policy 503. Boyd Bowles seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MILLERS POND PROJECT –

The Millers Pond project has been completed. Staff estimated the cost for the project to be approximately \$60,000 and they are waiting for all the costs to come in on the project. To date, roughly \$59,000 has been raised which includes contributions from FRREC and over 131 FRREC Members donating their patronage capital totaling \$11,637. The final figures will be reported once all the numbers are in. Thank you letters from the Board will be sent out to the large contributors, which includes Tim and Wendy Brockish, Northern Rockies Swan Stewards, Northern Rockies Conservation, Friends of Camas National Refuge, and Snake River Audubon Society.

HYDRO OPERATIONS UPDATE –

LOW IMPACT HYDRO CERTIFICATION –

GM Case played the voice mail received from USFWS in which part of the message from Fish and Game complimented FRREC for their efforts in maintaining the Hydro and meeting our FERC responsibilities. They also mentioned, from their perspective, Fall River was a good steward. Island Park, Buffalo, and Chester hydro facilities are all going through an application process to recognize them as low impact hydro facilities.

TESTING OF TURBINES #1 & #3 – RIVERSIDE AND BATDORF

Staff reported on the testing of turbines 1 & 3. Seals have been inspected and Staff will be meeting with Riverside and Batdorf on possible solutions. Unit 3 needs some oil pumps. Once the temperatures are warm enough to run, staff will have Riverside come back.

BUFFALO –

Staff reported the rake at Buffalo has been installed. This time, the rake was installed by crane; the helicopter crew was scheduled too far out with the fires back East. The facility was up and running, but has frozen up over this past weekend with the sub-zero temperatures. It is expected that with rising temperatures, the Buffalo plant will be back on within a few days.

CHESTER GENERATION AND FLOW CHART –

Staff reviewed the flow chart which shows the average daily flow and the average daily generation in regards to the Chester plant, illustrating how dependent the generation is on the flows. Staff gave clarification as needed. Chester has had a record year in production.

CO BANK WOUNDED VETERAN PROGRAM –

Included in the board packet was information on Co-Bank's Wounded Veteran program. GM Case encouraged board members to submit nominations if they knew of anyone.

IDAHO BOARD SEAT FOR NWPPA –

GM Case asked the Board if anyone was interested in running for the vacant Idaho board seat for NWPPA. GM Case listed some of the duties this would include and the benefits to the Cooperative and its members. Anyone interested should talk with GM Case for more information.

TRANSPARENCY RESOLUTION 637 –

GM Case gave some background on the purpose of Transparency Resolution 637 included in the board material. Fall River's CEO participated on a transparency committee for the Montana Cooperatives and that committee suggested some standards which were adopted by the Montana Electric Cooperative Association (MECA). MECA asked each cooperative and committee to use those standards. Fall River is already exceeding the transparency standard's outline, and staff suggested the board seek to formally adopt the MECA transparency standards. The resolution formalizes Fall River's practices. **Jay Hanson moved to pass Transparency Resolution #637, Boyd Bowles seconded.** A voice vote was taken; **THE MOTION CARRIED BY UNANIMOUS VOTE.** President Schmier reiterated that this was a hot topic at the last MECA meeting he attended. MECA will present the list of MECA members participating in the standards set to the Montana legislature.

PNGC UPDATES –

GM Case reviewed highlights of the PNGC meeting. A more complete report was included in the Management Report of the board packet. The PNGC solar project has

been terminated due to projected costs and county building regulations limiting the size of the project. Umatilla Electric is looking at purchasing the land lease and continuing forward with the solar project. FRREC also received its patronage capital allocation and payment for a PNGC rate refund of \$62,714, and a Demand Diversity (RDDR) refund of \$76,735.

2017 WORK PLANS, GOALS, AND BUDGETS –

The board approved the 2017 Work Plans, Goals and Budget; notebooks have been completed and were distributed at the board meeting.

PROPANE ASSIGNMENT OF VOTING SHARES –

GM Case reviewed the assigned voting shares board members are to receive for the Fall River Enterprises Annual Meeting to be held on January 23, 2017 at 9:00 a.m.

CONSERVATION REVOLVING LOAN FUND –

GM Case presented an idea on how to promote conservation. He suggested offering a no interest loan to residential members who would like to take conservation measures, but cannot come up with the initial cost required. This year, Fall River has additional unused conservation money. The concept would allow part of the conservation money to be put into a fund that would be used as a revolving loan for members implementing conservation measures. This would make conservation efforts attainable for homeowners who qualify as low income residential, but may not qualify for other funding. Staff will develop a plan and bring it back to the Board in January.

FOR INFORMATION PURPOSES –

BUSINESS PARTNER CHANGES –

Included in the Board Packet was a list of the changes in business partners, including retirement of Dale Swensen, General Manager of Fremont-Madison; Mike Bues, US Bureau of Reclamation; Mark Gendron, BPA Senior VP of Power Services; and the passing of Bill Squires, CEO of Blackfoot Telephone and owner of Fremont Communications.

NRECA SIGNED BOARD RESOLUTIONS –

Included in the board packet were copies of the signed NRECA Board Resolutions that were passed at the November 14, 2016 FRREC Board Meeting.

NRECA VOTING DELEGATE –

Jay Hanson made a motion Debbie Smith be the Voting Delegate for NRECA with President Doug Schmier as the alternate. Boyd Bowles seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NRTC VOTING DELEGATE –

Boyd Bowles made a motion President Doug Schmier be the Voting Delegate for NRTC with Debbie Smith as the alternate. Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ICUA BOARD REPORT –

GM Case listed a few highlights from his full ICUA Board report which was included in the board packet. Others (Rocky Mountain) are considering joining the EIM, which may cause an increase in transmission costs. Jay Hanson also brought up that CFC is taking names of Linemen to volunteer to go to a third world country. NRECA does cover some of the expenses, but staff would need to use some of their vacation time.

MECA AWARD – 1 YEAR NO ACCIDENTS –

GM Case presented the Board with a MECA Award received by FRREC for 1 year with no accidents.

PATRONAGE CAPITAL LETTER –

The letter sent out along with the checks retiring part of 1996 Patronage Capital was included in the board packet for their information.

REPORTS

BOARD REPORTS –

Boyd Bowles reported on the NEPA event he attended in Boise. There was a large number of representatives from the public power community present and we believe the presence of so many and the comments submitted will have a positive influence in hearings.

Jay Hanson reported on CFC; the PRC resolution passed.

Board members wished everyone a Merry Christmas and gave kudos for a wonderful time at the Annual Christmas Party.

Ron Dye related an experience a member of his family had with another utility. He expressed appreciation for the FRREC staff and their customer service.

Additional compliments were given to staff for all their efforts in keeping the power on as much as possible during the snow loading outages.

President Schmier reported on the MECA meeting he attended. Highlights included the results of grass root efforts, MECA is in a good financial position, and the Safety and Loss program is undergoing a restructure. The RUS program highlighted additional legislative efforts. President Schmier reviewed the calendar of events, highlighting meeting dates that board members would need to attend.

BOARD COMMITTEES:

ADMINISTRATIVE COMMITTEE CHAIR – DEDE DRAPER

No report. Will be meeting in February.

FINANCE COMMITTEE CHAIR – BOYD BOWLES

No report. Pre-Audit conference call on January 12th.

POLICY COMMITTEE - RALPH BURTON

Policy Committee report given previously in the meeting. The next meeting will be held January 20, 2017.

MANAGEMENT REPORT:

General Manager Bryan Case gave a summary of the management report included in the board packet. GM Case spoke on ICUA efforts to streamline the patronage capital reporting and notification with a web link form Idaho's State Treasury Office. ICUA will be presenting to legislature this year. GM Case will keep the board posted on any new developments.

ADJOURNMENT

There being no further business, **Jay Hanson moved that the meeting be adjourned. Brent Robson seconded.** By consensus, the meeting was adjourned at 2:25 p.m.

DATE APPROVED: January 23, 2017


Secretary, Dede Draper