

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

March 25th, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, March 25th, 2019, 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 Georg Behrens. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Brent "Husk" Crowther, Ron Dye, Debbie Smith, Jeff Keay, Jay Hanson, and Georg Behrens by conference call

DIRECTORS ABSENT – NONE

OTHERS

Candidate Jodi Stiehl, CFC Regional Vice President Russell Greene, CEO/General Manager Bryan Case, Legal Counsel Attorney Hyrum Erickson, CFO Linden Barney, 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. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

Vice President Robson made a motion to approve the February 27th Board Minutes as presented. Director Hanson 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 new memberships, purchase of power agreements, check register, safety report, and the discounted patronage capital refunds report. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE MEMBERS

Director Crowther reported that he attended Director training at the NRECA Annual meeting and also attended the opening session which he enjoyed very much.

Director Hanson reported he attended the CFC meeting and NRECA Annual meeting.

Director Dye attended the NRECA Annual meeting and his main takeaway is on how important it is to serve our Cooperative well. He especially enjoyed the information on artificial intelligence and on our commitment to zero contacts for staff safety. He was also very impressed with the youth speaker, Wallace “Bubba“ Bass.

Director Keay said that the snow is so heavy in Island Park and we haven’t witnessed the outages that would be expected with this much snowpack. He is very impressed with Fall River’s Reliability.

Director Behrens reported that he attended a “green construction” meeting in Teton Valley recently, as a consultant not representing Fall River. Architect Lindsay Love discussed designs of an efficient zero carbon building model. He said that those in attendance spoke very highly of Fall River Electric and our commitment to conservation.

President Schmier said there was very good discussions at the NRECA Annual meeting. He especially enjoys networking with other Cooperatives. He also reported the NWPPA Executive Director selected was Scott Corwin. President Schmier participated on an Executive Director Selection Committee and was instrumental in the choice.

FINANCIAL & STATISTICAL REPORTS

CFO Linden Barney presented the year-to-date financial report. He stated the Cooperative has net margins higher than the budget expectations due primarily to revenues being 6% higher from kWh sales. Controllable expenses were lower than budget expectations, as a result of the timing of actual expenses compared to when they were budgeted. Safety supplies and expenses for line locates were incurred later than planned. We are under budget 3.6% on operating expenses and cash flow expenditures are at 448K for investments in capitalized assets and over a million expensed in paying off long-term debt. It was noted that 954K on site specific costs where construction costs carried forward from the previous year.

CEO Case also noted there will be a request for a loan for new tanks from Propane in May. The loan request will be consistent with the approved Fall River Propane operating and capital budgets.

COOPERATIVE BUSINESS

STRATEGIC DISCUSSIONS

CEO Case introduced Regional Vice President Russell Green of CFC, Mr. Green gave a presentation on setting rates and on cost of service analysis. He said it is the 50th anniversary for CFC this year and he appreciates Fall River being a member.

He said Fall River’s rates send a message to our members so it’s important to know what message the Cooperative wants to send. Discussion on distributive generation and how to address rates that are equitable across all rate classes was held. Over the years, on average, residential use is going down due to efficient appliances, LED lighting, and other conservation. The Board discussed the impacts of residential demand billing, fixed monthly costs and kWh charges to cover those fixed costs. Mr. Green stressed the importance of small incremental changes and he recommended a plan to ease into changes slowly over time, up to over a decade or more. It was noted, Fall River has been proactive in setting retail rates and was an early adopter of a higher basic monthly charge and has incorporated demand charges for all commercial and irrigation accounts.

BIG PICTURE FALL RIVER WHOLESALE POWER AND DISTRIBUTIVE GENERATION

CEO Case explained that Fall River Electric's breakdown of purchased power is currently 94% non-carbon. Renewable hydroelectric represents 84% with 9% coming from nuclear generation and 1% wind generation. Fall River has a power purchase contracts which end in 2028. During this time Fall River has committed to not add additional generation over 1 MW. Fall River's hydroelectric plants include Island Park, Buffalo, Chester and Felt.

PNGC, Fall River's power pool, is required to provide Fall River's energy requirements through 2028. PNGC has purchased the Coffin Butte plant which uses landfill gases for generation. The Cooperative's cost of power is currently at 3.5 cents per kWh. Access to low cost hydro power is a significant benefit to the Cooperative and its members. We have renewable, low cost power that also means the Cooperative and its members enjoy non-carbon power at low rates. The four lower Snake River dams, which continue to be attacked with demands for them to be removed, have state of the art fish passages with documented successes in passage and are among the lowest costs in BPA's hydro fleet generating energy for 1.5 cent per kWh. If they were removed it would increase BPA's wholesale power costs.

CEO Case said Fall River provides green renewable power for almost all the power supplied to our members. Most of our green power is from hydro. Solar investments by residential and commercial customers in California create an oversupply, they have been sending excess power to the Northwest for the first time ever. The California duck curve graph was discussed. The oversupply of power at specific times within the day and then extreme spikes in the demand for backup power when the sun goes down is creating the volatility that generates negative pricing in markets during peak generation times. That volatility in wholesale power markets has also forced PNGC to purchase power at \$75 per MWh. This means market constraints are starting to impact pricing when we have limits to capacity in generation and/or transmission.

The power markets are cyclical and there have been moments historically that leads the electric industry to believe we are due to significant increases in wholesale power or predict there will be extreme shortages. Five years ago, we were looking at wind and now solar is becoming more efficient as costs have declined. Fall River has a decade before needing a new contract and have started the process of evaluating our options. Last year, the Board and management took time exploring the options available to the Cooperative. As we contemplate the energy future, we must remember that members expect low rates, reliable power, some diversification, and there is a growing desire to have non-carbon power. Currently, Fall River has a mix of power which meets most of the above criteria. With technology advancing rapidly we have discussed nuclear fusion, extracting carbon from the air and turning it into fuel as well as advancement in PEV and battery technologies. For the next five years we will continue to have discussions so that when it is time to make those long-term strategic decisions, the Board and management are well informed.

Director Draper and Behrens are planning to tour the NuScale project in Oregon next month. UAMPS is working with contracts that have a cap of \$0.065 per kWh.

In looking at the generation by source for the US, there are many that are no longer feasible and are going away. Battery technology is being used for shaving peak load and short-term energy backup but is not able to provide large scale storage and backup power

yet. Advancements continues in other technologies. The question was asked if it would be wise to diversify, even if it is not “green” or non-carbon emitting.

ELECTRIC VEHICLES AND CHARGING STATIONS

Discussion will be held next month.

BOARD GOVERNANCE

Discussion will be held next month.

JEFF KEAY – REPORT AND QUESTIONS FROM DIRECTOR CONFERENCE

Discussion will be held next month.

SUGGESTED BY-LAW CHANGES FOR FR BOARD MEMBERS SERVING ON REGIONAL OR NATIONAL BOARD

CEO Case reported that we have a talented Board serving on national boards. It takes years to be established and to be able to serve on those boards. The value to the Cooperative is that the amount of information and progressively elevating the topics of our discussion. Term limits makes it difficult for those serving on the national boards to term out and then have to resign from the national board. Director Hanson stated that he would like to make this change for future Directors. If there were a three-year term and a Director is still serving on a national board, could there be a way to serve out that term?

Director Crowther stated that if there is value to be on the national boards, the members would be the ones to decide by voting.

Attorney Erickson mentioned the possibility of being an Ex-officio Board member just long enough to finish a national board term. That way you wouldn't have to change the by-laws on term limits, just add that language as an exception.

President Schmier said that it is a great discussion and we have talented folks on our Board.

The question was asked if the Board of Directors feel there is value to being on the national boards. The majority raised their hands and did feel it was of value.

A raise of hands to show if there is value to working on the by-law change was voted on. The majority were in favor of looking into solving this issue. CEO Case will work on the language of how we could make the change. Director Hanson stated that he felt that our Board members have a lot to offer.

NRECA AND MECA INTERNATIONAL REQUESTS

CEO Case made a request for supporting a MECA sponsored International Electric Project. He donated \$1,000 personally to NRECA International fund and explained how Fall River has supported efforts in the past by sending a lineman to assist a third world country after a disaster.

Director Hanson made a motion to donate \$5,000 to MECA International and sending a lineman if one volunteers. Also, for donating \$1,000 for the NRECA International Project. The motion was seconded by Vice President Robson. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

RESOLUTION # 645 LINEMEN APPRECIATION DAY

Director Hanson made a motion to adopt the resolution with amendments. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NWPPA VOTING DELEGATE

Director Hanson made a motion for President Doug Schmier to serve as voting delegate for NWPPA. Director Smith seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CRC VOTING DELEGATE

Director Hanson made a motion for CEO Bryan Case to serve as voting delegate for CRC. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ANNUAL MEETING REVIEW

The Nomination Committee was discussed as well as the annual meeting timeline.

BONNEVILLE POWER ADMINISTRATION

The recent BPA request for conservation was discussed and how it was a close call as well as the PPC recap of the President's budget proposal.

EXECUTIVE SESSION

Vice President Robson made a motion to go into Executive Session at 1:00 pm. Director Hanson 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 3:35 pm. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Upon exiting Executive Session, Director Hanson made a motion to aggressively move forward in going to trial on the Chester Hydro Suit, the motion was seconded by Director Draper. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

CEO Case reported that he recently met with the Mayor of Driggs and they are interested in putting in electric vehicle charging stations. They also discussed a solar garden at the old landfill site.

Discussion was held on transfer service with BPA and non-federal transmission services.

PATRONAGE CAPITAL DISCOUNT RATE FOR 2019

The patronage capital rate for 2019 was presented to the Board.

2018 PATRONAGE CAPITAL STATEMENTS & CERTIFICATE

Were included in the Board Packet.

HYDRO FACILITIES UPDATE

Island Park –A request is going to FERC for approval for a 5-year test period on changes to the DO level requirements. The small blower has been installed and is working to raise the DO level.

Buffalo is running well.

Felt Operating Statement was included in the board packet.

Chester is operating and the oil system has been improved. Crews are ready for the runoff.

ELECTRIC AND PROPANE ACCOUNTS WRITE-OFFS

The report was included in the board packet.

IRRIGATION MEMBERS DISCUSSION

Were included in the board packet.

DEMAND READINGS AND BILLING

Were included in the board packet.

FALL RIVER SCHOLARSHIP APPLICATIONS ARE DUE – MARCH 29TH

2019 SCHOLARSHIP RECIPIENT REPORT ON IMPACTS AND ACCOMPLISHMENTS

Were included in the board packet.

PROPANE SAFETY – TETON VALLEY NEWS

Was discussed and an article included in the board packet.

NEWS AND LEGISLATIVE UPDATES

ICUA Dede reported that Lower Valley sent a crew to the Camp Fire to assist and then PGE declared bankruptcy and didn't pay the mutual aid costs associated with the assistance. This led to discussion on our Mutual Aid Assistance Agreements.

ADJOURNMENT

There being no further business, **Director Hanson moved that the meeting be adjourned. Vice President Robson seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 4:30 p.m.

DATE APPROVED: April 22, 2019


Secretary Dede Draper