

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

April 17, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, March 17, 2017, 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 10:02 a.m. Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by Dede Draper.

ATTENDING OFFICERS

President Doug Schmier and Secretary/Treasurer Dede Draper

DIRECTORS PRESENT

Brent Robson, Jay Hanson, Ralph Burton, Boyd Bowles and Dan Skene

DIRECTORS ABSENT

Vice-President Debbie Smith and Ron Dye

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, Engineering Manager Dave Peterson, and Operations Manager Trent Yancey. Also in attendance was Attorney Jerry Rigby

Guest Candidates: Jeffrey Keay, Alan Smith, and Del Fulmer. Each gave a brief introduction.

APPROVAL OF AGENDA

Brent Robson made a motion to approve the Agenda. Dan Skene 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

Following a review of the minutes for March 27, 2017, Jay Hanson made a motion to approve the minutes as presented. Boyd Bowles seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Jay Hanson made a motion to approve the consent agenda. Brent Robson seconded the motion which included Memberships, Purchase of Power Agreements, check reports, vouchers, safety reports, and capital credit reports. Clarification was given.
THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENT

GM Case read a card sent to the Board of Directors from a member thanking Fall River for continuing the scholarship program and our commitment to future generations. GM Case also read a letter to the editor thanking Fall River staff for quickly responding to and installing bird diverters to a section of power lines in the Fox Creek Area.

GM Case presented the Safety Award Fall River Electric received at the NWPPA E&O, along with a plaque from the American Dog Derby Association as a token of their appreciation for Fall River's continued support.

FINANCIAL AND STATISTICAL REPORTS

MARCH 2017 FINANCIAL REPORTS –

Margins exceeded the 2017 year to date budget by \$350,000, with the biggest contributing factor being an increase in kWh sales by \$396,000, a reflection of the cold temperatures experienced in January and February. The colder temperatures also reflect an increase in purchased power, \$103,000 more than budgeted.

Staff reported FRREC has generated \$1.5M in cash flow from operations and have spent \$254K on plant investments. Long-term debt has also been paid down by \$750K this year. Staff reported various operating expenses are lower than budgeted; much of this is due to the timing of the invoicing. The budget will get closer as those expenses are received.

The propane staff and board will be discussing the need for long-term financing to be used for the purchase of propane tanks to be either sold or leased to customers. Half of the tanks will be used for legacy operations and the rest are expected to be used in the Star Valley expansion. Tank sales and leasing provide a good return on investment. We will wait to make a decision until Fall River Electric has a formal request from Fall River Propane.

ANNUAL AUDIT PRESENTATION - 2016

Dave DeCoria, Auditor representing DeCoria, Maichel & Teague, presented the 2016 Independent Audit Report and management letter to the board. Mr. DeCoria reviewed the management letter and report covering the legal requirements. He also reviewed substantial financial footnotes in the audit report and provided some clarification when necessary. Mr. DeCoria summarized, stating Fall River's financials fairly represent the finances of the Cooperative. The audit team encountered no difficulties performing the audit due to staff being so well prepared. GM Case complimented staff on their jobs.

REVIEW OF 990

GM Case gave a quick overview of the Federal Return 990 Tax Form which has been reconciled with the audited financial statements. The board asked questions and clarification was given. The complete document was received and reviewed by the Board of Directors. Dave DeCoria gave a recommendation to the board to file Form 990 along with attachment 1120. The Board was in agreement to file as recommended. The document is a public document and is available upon request.

Ralph Burton made a motion to approve Form 990 with attachment 1120 as submitted by the Auditors. Boyd Bowles seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

ADMINISTRATIVE COMMITTEE SCHOLARSHIP RECOMMENDATIONS –

Administrative Committee Chair Dede Draper presented to the Board for approval the names of the scholarship applicants recommended by the Administrative Committee.

Dede Draper made a motion to approve the list submitted by the Administrative Committee as the 2017 Scholarship recipients. Boy Bowles seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

GM Case gave a brief explanation of unclaimed patronage capital and how FRREC uses it for the scholarship program.

2017 GRADUATION DATES & TIMES –

When Fall River Electric High School Scholarships are awarded at the school award assemblies, members of the Board of Directors are encouraged to attend in order to present the scholarships to their recipients. As the list of dates and times were read, directors of the board offered to present where they could. Staff will present to those that are not covered by the Board.

DAVE PETERSON – NWPPA EXCELLENCE IN ENGINEERING AWARD

GM Case reviewed the Power Point presentation showing Engineering Manager Dave Peterson receiving the Milton Hunt Award that was presented to him at the NWPPA E&O Conference. GM Case gave some background on this prestigious award and listed some of the many accomplishments and contributions Dave Peterson has made to the industry. The Board gave recognition to Dave for this career accomplishments and GM Case noted how fortunate Fall River is to have an individual of this caliber working for the Cooperative.

GM Case also included pictures of the safety presentation FRREC is conducting with the elementary schools in our service territory. Using the Safety trailer provides the students with a better safety presentation. By doing this, the students can see real life situations at a higher voltage which results in a bigger impact on them. This demonstration will continue at the Annual Meetings and with first responders in the area. There was some discussion of FRREC getting their own safety trailer so it will be readily available.

BOARD STRATEGIC PLANNING MEETING

NRECA GOVERNANCE TRAINING –

GM Case gave a brief background on the NRECA Governance training. Staff will contact NRECA to see if the trainer is available on the dates discussed.

STRATEGIC PLANNING

Strategic Planning was tentatively scheduled for August 7-8, 2017. These dates may be changed due to the directors' availability. GM Case showed a video (link included in the board packet) that provided information on solar rooftops, Tesla roof shingles and Tesla's new battery, Powerwall 2. GM Case addressed the questions raised about changing out the batteries on the hydro facilities. These topics are primers for the strategic planning board meeting. This led to a discussion on distributive generation. GM Case further explained the impact of these developments on FRREC and BPA rates. GM Case reiterated the steps FRREC has taken to prepare for these changes, some of which include: looking at additional revenue streams, regaining the Cooperative's financial strength, Fall River's rate structure, changing the line extension policy, investments in technology, AMI meters, and fiber optics backbone. Staff will continue to cautiously look for the "next big thing." Other possible topics for discussion during the strategic planning meeting included the PNGC power supply, what the power supply model would look like, and the previous investment into the AMI meters.

RATE REVIEW

GM Case gave some background on the report included in the board packet. Staff is looking at the rate structure and possibly considering a demand rate charge for residential accounts. This led to a discussion on the BPA rate structure, with limited capacity at times, and how it affects FRREC. This led to the question is FRREC on the right track? Currently FRREC has a demand charge for irrigation and commercial, but not residential. Once the rate study from BPA is received, there will be further discussion. It was suggested that we start with a very small demand charge to introduce the idea and get a system in place that can be implemented as BPA's rates increase. The discussion continued on how to collect the revenue to reflect FRREC costs. GM Case gave clarification to the Board and suggested that the demand charge would cause some members to consider conserving energy. Further discussions will be had as more information becomes available.

ANNUAL MEETING UPDATES -

SLATE OF POTENTIAL CANDIDATES

GM Case reviewed the current list of candidates provided in the board packet for the 2017 FRREC Board of Directors election. There was some discussion on the posting of the candidates and candidate videos for the website. Staff will be working on getting this information out in a timely manner.

ANNUAL MEETING DRAFT AGENDA

GM Case reviewed the updated Annual Business Meeting agenda. The Board of Directors will be gathering prior to the meeting at 8:00 a.m., with the Business Meeting beginning at 10:00 a.m. Breakfast will be available at 7:30 a.m. Beth Looney, CEO of PNGC, will be the guest speaker.

GM Case gave some clarification that was followed with some discussion on the value, benefits, and risks of FRREC participating in the new PNGC model and it was determined Fall River will need additional information prior to making a decision.

NRECA DIRECTOR ELECTION

Following a discussion on who would be attending the ICUA Annual Meeting, **Boyd Bowles made the motion to appoint Jay Hanson as the voting delegate for the NRECA director election, with Dede Draper as the alternate. Ralph Burton seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

WYOMING RULES AND REGULATIONS REVIEW

GM Case gave a brief update. Staff will be meeting with the Wyoming PSC and will report back to the board.

2017 GENERAL MANAGER GOALS

The responses President Schmier received suggested the need to have measurable goals for the General Manager/CEO. The board discussed this and provided President Schmier with ideas for goals. President Schmier will review those goals with GM Case.

EXECUTIVE SESSION

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

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

Jay Hanson made a motion to go out of executive session. Boyd Bowles seconded.

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

FOR INFORMATION PURPOSES –

BPA 2016 CITIZENS GUIDE

A Full report was included in the Board Packet for informational purposes.

GM Case gave an overview of the report, highlighting specifically the life cycle of the salmon, a review the counts, and salmon recovery. This led to a discussion on fisheries and natural habitat. The question was raised as to how much is enough? Rate payers have paid billions in the northwest and those costs represent approximately 30% of BPA's wholesale power costs. Fall River's members pay approximately \$2.8M annually for fish and environmental costs. The report demonstrated the success accomplished through those investments. GM Case also reviewed the survivability rates in several of the dams. Questions were raised. How much more investment is required for a diminishing return? What is BPA's responsibility? Who else is responsible? It appears that the Dams bear the

burden of blame and other contributing factors are not taken into consideration, thus the rate-payers carry the brunt of it.

RIVER PARTNERS HYDRO REPORT

Full report was included in the Board Packet for informational purposes.

SUMMARY OF JUDGE SIMONS REPORT

GM Case gave a brief overview of Judge Simon's report. Federal hydro projects will increase spills without scientific support based on Simon's ruling. Investments are required from the four Lower Snake River Dams, but they will need the Judge's approval prior to making them. Judge Simon has essentially decided that he will manage the Dams and river operations.

WORK PLAN AND GOALS

The quarterly reports on the FRREC staff work plans and goals were included in the Board Packet for review. GM Case reported on some key points.

HYDRO OPERATIONS –

Staff reported Island Park is running using one blower due to the DO levels being up, a reflection of the reservoir levels being higher. Currently, the Chester plant can run all three turbines. Turbine one has a sensor that needs replaced, but it is a redundant sensor and the replacement can wait until after the high water flows recede. GM Case reminded the Board that the water levels and DO level information will be on the website this year.

CYBER SECURITY – PHISHING EXERCISE – RANSOM WARE

GM Case reported that staff is conducting phishing exercises. Cyber threats are an increasing danger to the Cooperative and through training, education, and strong controls, the Cooperative will safeguard our systems and information.

LEGISLATIVE ISSUES –

Included in the Board Packet for informational purposes.

FEDERATED INSURANCE PREMIUM AND COVERAGE –

Included in the Board Packet for informational purposes.

2017 PATRONAGE CAPITAL DISCOUNT RATE –

Included in the Board Packet for informational purposes. GM Case reminded the Board that this document is updated annually using the formula set forth previously by the board.

2017 FLASHES EDITORIAL CALENDAR

Included in the Board Packet for informational purposes.

MILLERS POND/.SWAN SAFE UPDATE –

GM Case gave an update. Staff will continue to monitor the recent project at Miller's Pond to make sure no additional work is needed.

EMERGENCY POWER RESTORAL

FRREC Operations Department included the Emergency Power Restoral Plan in the Board Packet for informational purposes.

HYDRO MAINTENANCE REPORT

FRREC Engineering Department included the Hydro Maintenance Report in the Board Packet for informational purposes.

REQUIREMENTS FOR UNCLAIMED PAT CAP

Included in the Board Packet for informational purposes.

PAC EVENT SUMMARY

The report provided on the large Goshen outage was included in the Board Packet. It states the cause of the outage and what needs to be done. GM Case will continue monitoring the progress on the items being completed.

JOINT SAFETY ADVERTISING

Samples of the joint ad with Fall River and Idaho Falls Power were included in the Board Packet for informational purposes.

REPORTS

BOARD COMMITTEES:

Committee Reports were given during the meeting. Policy Committee will be meeting prior to the FRREC Board Meeting on May 22, 2017 at 9:00 a.m.

MANAGEMENT REPORT:

The full report is included in the board packet.

ADJOURNMENT

There being no further business, **Jay Hanson moved that the meeting be adjourned. Dan Skene seconded.** By consensus, the meeting was adjourned at 3:35 p.m.

DATE APPROVED: May 22, 2017


Secretary, Dede Draper