

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

April 22, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, April 22nd, 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 Ron Dye. The Pledge of Allegiance was recited.

Candidates were in attendance and introductions were made with all of our guests.

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, Georg Behrens, and Jay Hanson by conference call

DIRECTORS ABSENT – NONE

OTHERS

Candidates Jodi Stiehl, Anna Lindstedt, Alan Webb, Bruce Ard, Mark Hansen, Mark Gerber, Kyle Cooke, Mike Burton of Decoria & Company, CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, CFO Linden Barney, Member Services Manager Sheena Stricker and Executive Assistant Joni Amen

APPROVAL OF AGENDA

Director Behrens made a motion to approve the Agenda as presented. Vice President Robson 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 Crowther 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 March 25th Board Minutes as presented. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Vice President Robson made a motion to approve the Consent Agenda. Director Crowther 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.

CEO Case explained that the bylaw change last year on patronage capital is being reflected on the Retirement of the Patronage Capital Report.

COOPERATIVE REPORTS

Directors Draper and Behrens stated that they enjoyed the NuScale Nuclear tour on the carbon-free power project. CEO Case explained what the new nuclear generation plant is about and said that there is a high-level term sheet included in the packet for the Directors to review. He stated that if a utility chose to participate, the agreement provided off ramps if a participant wanted to remove themselves from the project. There are high hopes for this project. Director Behrens stated he had done additional research since the tour. Director Draper said the project holds promise for remote, third-world countries; the units are self-contained systems. CEO Case stated that Bill Gates is interested in this technology as they are being promoted as self-contained and safe and could potentially be deployed to areas currently not receiving electrical service.

Director Hanson asked if BPA has discussed interest in transmission service for the load generated by the plant. CEO Case said he spoke with leaders at BPA that they are going to see how it goes and if it is successful, they would be interested in transmission service.

The first plant will be built at Idaho Nuclear Engineering Laboratory (INEL) if they have buy-ins from enough participants. The Board discussed the opportunities and risks of participating. The Department of Energy and Nuclear Regulatory Commission are providing funding for the project which brings down the cost of the project. There is an opportunity for Fall River to participate and there is still plenty of available, uncommitted generating capacity. It was suggested we discuss the opportunity at the Board strategic planning meeting.

Director Behrens completed the NRECA Director Gold Program and a certificate was awarded.

CEO Case reported that there was a significant outage at Targhee on Saturday. The generator was not able to work because the fault was beyond the generator. Fall River staff worked hard to restore the outage.

Director Keay said that there was a member complaining about blinks. He was able to educate the member about the benefits of having blinks and how they mean large outages are reduced.

FINANCIAL & STATISTICAL REPORTS

CEO Barney presented the year-to-date financial report. He stated the Cooperative has net margins 32K higher than the budget expectations for the month with 185K higher kWh sales. Year-to-date labor costs are 2.5% over budget; we are doing better on interest costs than anticipated and have not had to borrow as we have in the past. Other variances are caused by the timing of when we had anticipated budget expenses compared to the actual timeline. The website redesign costs have not come in yet, but controllable expenses are 4.5% better than budgeted. We have spent 2M on the Capital Budget with 1M being carryover from last year. CEO Case said we have consistent growth with new services coming in at around 2%. He feels we are on a good path for the year.

AUDIT REPORT

Mike Burton of Decoria & Company presented the audit report to the Board. It is his responsibility to verify that the numbers are correct and that the staff are complying with

accepted accounting standards. He said he was very impressed with CFO Barney and CEO Case and their dedication to detail. He read the letter stating that they had the best opinion possible with no problems or flags.

Mr. Burton said that plant decreased slightly; he recommends having processes to check material prices and that accounts are being charged correctly and on a quarterly basis. CEO Case stated that we have GIS Aide Rayla Hathaway who ensures the work orders are posted correctly on a monthly basis.

Mr. Burton gave a detailed report on the financial health of the Cooperative and he was very impressed with the improvement in the subsidiary, Fall River Propane.

He recommends watching expenses and keeping an eye on segregation of duties. He said he appreciates staff's hard work and CFO Barney getting timely information to them.

COOPERATIVE BUSINESS

SCHOLARSHIP RECOMMENDATION

Administrative Committee Chairperson Ron Dye reported on the list of the recommendations from the Scholarship Committee; he said the applicants were all spectacular and the committee had a difficult decision in the selection process.

- **West Yellowstone HS:** Braden Loomis and Heidi Schmier. President Schmier stated that there were only two applicants so the third scholarship will be given to North Fremont.
- **North Fremont HS:** Hannah Steele, Saylor Jeppesen, Hailey Ayers, Andrew Hill, Hayden Hill, Blake Oberhansley and Kelby Dye (awarded the extra West Yellowstone Scholarship)
- **Teton HS:** Sophia Sperber, Cameron Birch, Myra Rudolph, Jade Moosman, Hannah Wilson, Joni Moyer, Claudia James, Ella Hundere Dahlgren, Sofie Graupner, and Janie Nelson
- **Teton/Wyoming HS:** Taryn Paradis
- **South Fremont HS:** Jake Thuesen
- **Sugar-Salem/Madison HS:** Alexis Garner (Madison)
- **Rigby/Ririe HS:** Abby Kinghorn (Rigby) and Eden Griffith (Ririe)
- **At Large:** Kyler Miller and Kody Smoot
- **Helping Hands:** Rhett Potter, Alexis Mitic, and Austin Mitic

Director Smith made a motion to approve the Scholarship recommendations as presented by Administrative Chairman Dye. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BOARD GOVERNANCE – Attorney Jerry Rigby took the floor to go over Fall River's General Policy #102 Board Code of Conduct training. He stated that he has also researched NRECA's Board Governance recommendations. As he conducted this training, he asked that the Board have an open and candid discussion. President Schmier asked that Attorney Rigby take his time and do a thorough training without time constraints. Mr. Rigby said he has seen this Board always treat each other with respect and hopes that continues. In defining governance per NRECA's rules, he read that good governance is different than good management. He emphasized that the Board should

recognize each of their roles. As a Board, Directors should put the benefit of the Cooperative over personal benefits. When speaking outside in the community, Directors must be very careful of appearances and public perception.

Mr. Rigby stated that he was impressed with this Board and the Directors' commitment of their time to the Cooperative.

Vice President Robson stated that the Flashes Newsletter has a picture of each Board member that goes out to the membership every month, so Board members are known and what they say carries great weight in the community. It is important to be very careful taking a stand on a contentious issue when it contradicts a Board decision.

Attorney Rigby gave some examples of his experience on different Boards and said that if you have an opinion different than that of the full Board, stating that you're not representing the Fall River Board of Directors should be done up front.

President Schmier said that when he is out in public, he is very careful; what the Board says and does affect the Cooperative and its members. He is very concerned with conflicts and would like to know how to deal with it when a Director steps outside the lines.

Attorney Rigby said that public relations on issues should come from the Board of Directors as a whole, not individual members who may dissent. The full Board must authorize the decision to publicize a difference of opinion. CEO Case gave the example of the consolidation issue when the pros and cons were given by recommendation of the full Board.

Attorney Rigby reiterated it is important to be extremely careful in giving a dissenting opinion of a Board decision. During debate on an issue – Pre decision, give all comments, opinions and don't hold back. Post decision, you should be very careful what you say.

Candidate Bruce Ard said that when he worked on City Council, he would explain how a decision was made to educate a person on the "why," even on issues he didn't agree with.

Director Draper stated that Directors have lives outside of the Fall River Board and she doesn't feel she is defined by her service to the Cooperative alone.

CEO Case said that we do have a Policy and NRECA governance and that Directors do lose some of their rights in serving on the Board.

Director Dye said he loves the Co-op way of life, and the members who vote are the ones that make the final decision. The Board of Directors represent the members.

Director Hanson said that after years of dealing with the media, he learned that you can't be guaranteed that they will report what you say and think they will; they may spin things to their way of thinking.

NOMINATING COMMITTEE DISCUSSION

Attorney Rigby discussed the Nominating Committee and Fall River is doing what we should as outlined by the Fall River By-laws and NRECA's recommendation. Mr. Rigby said that our Nominating Committee is not a Selection Committee and it recommends and does not select candidates.

The Nominating Committee process and packet, frequently asked questions, 2019 Nominating Committee Minutes, 2019 Nominating Committee Members, and the Nominating Committee master list were provided in the Board packet.

President Schmier stated he would conduct a review of the Nominating Committee.

STRATEGIC DISCUSSION

CEO Case presented a PowerPoint on wholesale power purchasing and the implications of distributive generation. This was a primer for the strategic planning the Board is working on. Fall River's net metering process was discussed. There was also discussion on entering into a partnership with a distributive generation company to become a provider for those services. CEO Case reported that staff went to Bandara, TX last year to tour their solar and battery business to see if it would be a model Fall River would be able to mirror. If we were to pursue this, it would be a subsidiary of Fall River. Idaho hasn't done a lot of incentivizing and there is a lot of snow in Island Park. CEO Case asked for direction in whether or not to pursue an opportunity. Director Keay feels it is a good idea to pursue, as do Directors Behrens and Hanson. Director Crowther feels that we should couple with batteries for back up as Bandara does. He said an EV charging station may not be feasible, but it could be used as a marketing tool to focus on being an energy partner.

PROPOSED BYLAW REVISION FOR SERVING ON A REGIONAL OR NATIONAL BOARD

Attorney Rigby stated that, after checking with CFC, there is an option for a Director to finish a term on the Board as an "ex officio Board Member". A By-law change would have to be made on term-limits.

Director Keay recommended the By-law change of extending the term limit to one more term if currently serving on a National or Regional Board, if reelected by the vote of the members. The authority for editing the update was given to Attorney Rigby and CEO Case. Seconded by Director Crowther. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

JEFF KEAY – REPORT AND QUESTIONS FROM DIRECTOR CONFERENCE

CEO Case went over the questions that Director Keay had. Discussion was held about having the 990 form online. Serving millennials and expanding our technologies for them was discussed. CEO Case felt that communicating well is important. Director Smith felt it was important to join Instagram. PR issues were discussed as well as how communication in an emergency is done. Artificial intelligence and data management was discussed. Would there be an opportunity to partner with someone to help? CEO Case said that the NRECA Technical Committee is where this happens, and he is Vice Chairman of that committee.

POLICY REVIEW FOR DISCUSSION

Policy Committee Chairperson Draper made a motion to approve the updates to General Policies #201 Functions of the Board of Directors, #202 Committees of the Board of Directors, #203 Directors Fees and Expenses, #404 Wiring Policy, #409 Movement of buildings & Equip Under Coop Lines, #622 Cooperative Vehicle Policy, #310 Purchase of Vehicles, and #312 Financial Forecast and Plan as recommended by the Policy Committee. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ANNUAL MEETING REVIEW

The thank you letter sent to Nominating Committee members, the timeline for Annual meeting and the proposed By-law changes for employees becoming Directors and

Directors becoming employees, and Fall River's 2018 accomplishment highlights for members were all included in the packet and discussed.

CEO Case made a request for an amendment to the wording on the By-law change as presented by Attorney Rigby. On Section 3 under "Qualification" the words *"is not currently, nor has been an employee of the Cooperative within the past three (3) years and will not apply or be considered for employment at the Cooperative for three (3) years after serving as a Board of Director for the Cooperative;"*.

Vice President Robson made a motion to approve the amendment and Director Keay seconded the proposal. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

QUARTERLY FALL RIVER PROPANE UPDATE

CEO Case said that the cold temperatures have been good for Propane's bottom line and they are doing well the first Quarter of the year. He explained that improving billing practices on services has helped, as has hiring the tank-setting technician. We are out of tanks at the moment, and there is a shortage due to the embargos. They have been ordered and should be here by next month.

GM JT Hill planted the seed for CEO Case to help with the propane container legislation reform. CEO Case gave much credit to and thanked ICUA Executive Director Will Hart for the successful passage of the law. President Schmier directed attention to the safety flyer that GM Hill put out, warning about the recent explosions. Heavy snow has taken its toll on regulators which create leaks. There has been great response from the flyer.

PROPOSED LAND PURCHASE IN FELT

Vice President Robson made a motion to allow staff to negotiate the purchase of the property in Felt. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BANK CHANGE FROM KEY BANK DUE TO ASHTON OFFICE CLOSE

Director Hanson made a motion to approve Resolution #646 for the account agreement and signature approval as presented. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COMMITMENT TO CYBER SECURITY – UPDATE AND BOARD CHALLENGE

CEO Case reported that following penetration testing, we have had some failures that IT is concerned about. CEO Case stated that IT Manager Shannon Hill will be conducting training regarding e-mail links.

NRECA BOARD VOTING DELEGATE AND SUPPORT FOR BRYAN CASE TO RUN AS NRECA BOARD MEMBER

Vice President Robson made a motion to support CEO Bryan Case in running for NRECA Board Member for a second term and acting as voting delegate. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

ICUA BOARD DIRECTOR AND ALTERNATE DESIGNATION

Director Robson made a motion to approve Dede Draper to be ICUA Director and Bryan Case to be alternate. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXECUTIVE SESSION

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

Vice President Robson made a motion to go out of Executive Session at 2:50 pm. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Upon exiting Executive Session, Vice President Robson made a motion to ratify the decision made in executive session regarding settling the suit. The motion was seconded by Director Dye. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

2019 COOPERATIVE GOALS YEAR-TO-DATE AND WORK PLAN PROGRESS REPORT

CEO Case reported on the goals and work plans.

YOUTH RALLY PARTICIPANTS FOR 2019

There were only 3 applicants interested in the wonderful experience.

MEMBERS PURCHASING GREEN POWER IS CURRENTLY AT 103

CEO Case said that we haven't really marketed green power as we are currently 94% green anyway, but we can certify members to be 100% green if they choose.

CONSUMERS CHOOSING NOT TO BE A FALL RIVER MEMBER

Discussion on why consumers would choose not to be members was held.

HYDRO FACILITIES UPDATE

- Island Park
- Buffalo running well
- Felt Operating Statement was included in packet
- Chester is ready to go and all 3 turbines are working

SOLAR FOR SCHOOLS UPDATE, SMART HOME PILOT PROJECT

Time was limited, so discussion will be held next month.

NEWS AND LEGISLATIVE UPDATES

MECA EXECUTIVE DIRECTOR NAMED

President Schmier reported that Gary Wiens was hired as new Executive Director for MECA.

NWPPA WELCOMES NEW EXECUTIVE DIRECTOR

Scott Corwin will begin his tenure on May 1st, 2019. The changing of the guard will be held at the NRECA Legislative Convention.

EXECUTIVE DIRECTOR SEARCH COMMENCES FOR PPC- OPEN UNTIL
APRIL 30TH

WEST YELLOWSTONE 80-ACRE EXPANSION CONCEPTUAL PLANS
Included in the packet

NEW DIGITAL SIGN AT THE ASHTON OFFICE INSTALLED

REPORTS

Debbie Smith announced that she has chosen not to run for reelection for the Board. She has been a great asset to Fall River and her wit and humor will be greatly missed.

CALENDAR

Reminders were reviewed. It was noted that the Policy Committee will be held at 9:00 a.m. prior to the Board Meeting on May 28th.

Discussion on the June 17th Board Meeting was held and the meeting may be postponed. We will have regular Board meeting prior to Annual meeting on June 15th starting at 7:30 a.m. Essential business could be conducted at that meeting if needed. The final decision will be made by next month.

ADJOURNMENT

There being no further business, **Vice President Robson moved that the meeting be adjourned. Director Behrens seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 4:55 p.m.

DATE APPROVED: May 28, 2019


Secretary Dedo Draper