

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

April 23, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, April 23, 2018, 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 10:03 a.m. Lead Member Service Representative, Kathy Bollinger, recorded the minutes. The invocation was given by Director Dede Draper. The Pledge of Allegiance was recited.

ATTENDING OFFICERS

President Doug Schmier, Secretary/Treasurer Dede Draper, and Vice President Ralph Burton

DIRECTORS PRESENT

Brent Robson, Georg Behrens, Ron Dye, Dan Skene, and (via conference) Jay Hanson and Debbie Smith.

DIRECTORS ABSENT

None

OTHERS

CEO/General Manager (CEO) Bryan Case, Lead MSR Kathy Bollinger, Manager Member Services Brand Hathaway, Manager Operations Trent Yancey, CFO Linden Barney, Manager Engineering Dave Peterson, Legal Counsel Jerry Rigby, and Auditor David Decoria

Guests: Steve Anderson, Wes Donahoo, Brent Crowther, Todd Marx, Jack Baird, Carter Burke, Nathan Hardy, Shane Shulthies, Fred Brog, Board Chairman of Lower Valley Energy, and Enterprise Board Member Cindy Martinson

APPROVAL OF AGENDA

**Director Brent Robson made a motion to approve the Agenda. Director Georg Behrens seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

**Director Dede Draper made a motion to accept and approve expense vouchers. Director Georg Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

**Director Jay Hanson made a motion to approve the Minutes of March 19, 2018, as corrected. Director Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## CONSENT AGENDA

**Director Jay Hanson made a motion to approve the Consent Agenda. Director Brent Robson seconded the motion which included Memberships, Purchase of Power Agreements, check reports, safety reports, and the discounted Patronage Capital refunds report.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## BOARD REPORTS

Director Georg Behrens – Attended training in Washington D.C. He appreciated the contact that was made with other cooperatives.

Director Brent Robson – Attended the recent Fall River Electric safety meeting and expressed to the employees the appreciation of a job well done. The crew makes an extra effort at all their jobs and have the expertise needed. Fall River is lucky to have the employees they have.

Director Jay Hansen - Jay will be attending a CFC meeting in the near future. CFC forum will be held June 10-13<sup>th</sup> if anyone is interested.

Director Dede Draper – showed a video of a group of “kids” (goats) that she has been attending to. She participated in a conference call on ICUA on Friday, April 20.

CEO Bryan Case - Bryan took a moment to explain the Columbia River Treaty. Last year, Representative Risch challenged the ICUA group to provide an Idaho position on the Columbia River Treaty which would have broad support in Idaho. Bryan worked with Jerry Rigby and Will Hart of ICUA to set up a meeting with Idaho Public Power and Idaho water users to see if a white paper on Idaho’s interests and positions could be enumerated and agreed to. From that initial meeting, ICUA worked closely with other Idaho organizations in creating a white paper with talking points for Idaho. Ultimately 18 Idaho organization signed on to the paper and the Idaho State legislature adopted those talking points by resolution in 2018. Fall River, ICUA, and PNGC all discussed with our Idaho Federal delegates, the importance of HR 3144 in supporting the Federal Biological Opinion and asked that the proposed legislation be passed by the House. Once passed by the House, we will be asking Senator Risch or Labrador to sponsor a similar bill in the Senate.

Legal Counsel Jerry Rigby - Department of Interior has been negotiating and embracing the Idaho State resolution on the Columbia River Treaty. The Western States Water Council, Bureau of Reclamation are all supporting Idaho’s position. They are working with the Washington and Oregon strategies on the Columbia River Treaty.

Director Doug Schmier – Doug was scheduled to attend the Montana Cooperative meeting, but due to the winter weather, the meeting was held via conference call. Discussion included broadband, safety update, and training. At the NWPPA conference, the western region was well represented, and Doug attended an ad hoc committee meeting.

## MEMBER COMMENTS –

CEO Bryan Case read a thank you from a member for the quick outage restoration.

Carter Burke – Question: Why don't we meet with the Montana representatives? Answer: We met with them three different times and feel like we have covered the entire area well. CEO Case apologized that he did not report concerning the Montana representation. Meetings were also held with the Wyoming Federal delegates. Fall River Electric attends regional meeting, that include nine different states, and is truly a cooperative effort.

#### FINANCIAL & STATISTICAL REPORTS

Margins are \$763,000 ahead of what was anticipated for year-to-date activities through March 31<sup>st</sup>. Revenue net of power costs is the biggest contributor to the increased margins, along with more PURPA revenue from the Felt Hydro plant than was budgeted. Labor and overhead expenses are \$73,000 less, coming in within 4% of budget.

Fall River's Cashflow Report indicates that \$1.6M has been generated from operations, \$1.M invested in plant and materials, and we have paid off just over \$1M in principal payments on debt. Staff have not had to borrow on our credit line yet this year and may not need to.

Through the first quarter we spent 26% of the capital budget, with the majority of this being spent on general plant and equipment since we are not in the construction season.

Hearing no objections or changes from the Board, let the record reflect the Financial Reports have been reviewed by the board.

Director Skene asked if the surplus revenue is anticipated to hold. CEO Case expressed needs of the cooperative that he will be discussing under other areas of the agenda. BPA will be raising wholesale power rates due to increased mandated water spill and a financial cost recovery clause (CRAC).

The Board was presented with a request for approving a long term note to Fall River Enterprises for a replacement delivery truck and updated software. The notes term is for 7 years.

**Director Dan Skene made the motion to approve the recommendation and Director Ralph Burton seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.**

#### AUDIT REPORT

David DeCoria 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. An item of note was the re-acquisition of the Felt Hydro and Dave DeCoria reported the Fall River staff correctly handled the transaction. Other items discussed included Chester Hydro, work orders and material tracking and management. The Auditors reviewed 20 work orders and all 20 were classified correctly. The auditors are thorough, and rotate staff on the audit to have a new set of eyes on the audit. The inventory process was evaluated and the current numbers and perpetual count was verified. Fall River Enterprises and Helping Hand was also included in the audit.

Dave DeCoria stated Fall River had a clean, unqualified audit and their opinion was given that Fall River Rural Electric Cooperative, Fall River Enterprises, and Fall River

Helping Hands operations are conducted in accordance with generally accepted accounting principles.

The staff does a very good job managing Fall Rivers accounting and finances. Linden Barney, and his staff, is prepared and very professional in the work they do. Dave Decoria also reported staff provided all information and were helpful in conducting the audit. Director Ralph Burton asked if staff are doing a good job with preparing the information and providing the auditors with the correct data? Answer: Absolutely. Technology is being used to provide information and Linden had everything in "Drop Box" before the auditors arrived on site. The staff is available and always ready to assist.

**Director Brent moved to accept the audit report and Director Georg Behrens seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### COOPERATIVE BUSINESS

SCHOLARSHIP recipient recommendations were presented by the Administrative Committee. The recommendation for the Board's consideration included the following:

**At Large:** Angel L. Martinez, Lucas D. Cattabriga

**Helping Hands:** Alissa Hawks, Molly Stein, Cade Lewis

**Lineman College:** Mitchel S. Hyde

**West Yellowstone HS:** Martin W. Grube, Easton J. Roos, David C. Ross

**North Fremont HS:** Kylie R. Anderson, Sawyer S. Dye, Madelyn Miller

**Teton HS:** Zurisadai Vasquez Bedolla, Lila M. Jolley, Jessica Flores Perez, Ruthanna J. Bagley, Jennifer B. Garcia Santiago, Madison D. Miller, Elise Reynaud, Baillie Jo Hillman, Samantha J. Kay, Elizabeth M. Ripplinger, Coleby J. Hess, Olivia C. Wilson

**Teton/Wyoming HS:** Antonina I. Profatilova

**South Fremont HS:** Payton L. Potter

**Sugar-Salem/Madison HS:** Shaunae Green, Taylor J. Hill

**Rigby/Ririe HS:** Jayson D. Bloxham, Mylee M. Mickelsen

Committee Chairperson Dede Draper explained to the guests that the scholarships are funded by unclaimed capital credits, and the Cooperative typically awards approximately 30 scholarships to members and children of members.

**Director Dede Draper made a motion to accept the slate of candidates as presented by the Administrative Committee. Director Georg Behrens seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### CFPP (CARBON FREE POWER PROJECT) PRESENTATION

Nathan Hardy, Utah Associated Municipal Power Systems (UAMPS) gave a PowerPoint presentation on the NuScale Nuclear Project. He explained in detail how the system works and the benefits of the newly designed system. This could be an option for another source of generation to meet Fall River load. UAMPS is currently seeking input on the

following: 1. Determine participation percentage, 2. Understand the agreement terms, 3. Approve the Power Sales Contract. CEO Case requested UAMPS to give a presentation to see if the Fall River Board has any interest in looking further into participating? No vote was taken, but the board consensus was to discuss the opportunity in more detail. This project is still in planning and expected to start production in 2026-2027. Director Jay Hanson asked if this project would solve the South Eastern Idaho transmission issue with BPA? CEO Case replied that it could solve Southeast Idaho's transmission concerns.

#### LOWER VALLEY, FRED BROG, BOARD PRESIDENT

Lower Valley Board President, Fred Brog expressed his thanks to Fall River Electric once again for the help received during the Transmission line failure. A million thanks for good neighbors. Acting on Lower Valleys behalf, Fred took a moment to apologize to Fall River Electric that the opportunity for joining forces did not proceed to a vote of the members. He also expressed his appreciation to CEO Bryan Case.

#### COMMUNITY SOLAR

CEO Case and CFO Barney provided information on community solar. Negatives: the small interest and lack of commitment by the members. Is the timing right? Positive: currently there is a REAP Grant and a grant from the Bonneville Environmental Foundation to reduce construction costs. Board discussion ensued and generally the discuss centered around a timeframe of doing the project and general sense that Fall River members may not be interested in community solar at this point. CEO Case discussed sending a group of Fall River employees to look at Bandera Electric Cooperative in Texas, who is engaged in providing distributive solar and battery backups. A straw poll was taken by the Board and was determined to not pursue a community solar project at this time, but to continue to investigate future opportunities.

#### POLICY REVIEW FOR DISCUSSION

CEO Case reported on the updated policies the Policy Committee sent to the Board for approval.

GP #623 Sexual Harassment has been combined with GP #625 Prohibitions on Discrimination, Harassment, and Retaliation and will be retired.

**Motion made by Director Ralph Burton and seconded by Director Jay Hanson to accept the General Policies as amended.** Discussion was held. Concern was raised about the term "protected" status. THE MOTION FAILED. CEO Case was directed to work with counsel and bring back the policy based on a concern the policy needed to include protections for general harassment.

GP #205 Services of Consultants, GP #207 Membership in Organizations, and GP #313 Purchasing Practices and Procedures were presented to the Board for approval.

**Director Jay Hanson made a motion to approve GP #205 Services of Consultants, GP #207 Membership in Organizations, and GP #313 Purchasing Practices and Procedures as recommended by the Policy**

**Committee. Director Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### THE PATRONAGE CAPITAL SAMPLE LETTER, CERTIFICATE, STATEMENT OF PATRONAGE CAPITAL BALANCE

The letter and information provided to members about their patronage capital allocation for the 2017 year, and recap of total patronage capital by year, was included in the board packet. A discussion ensued on the value of letting members know they own the Cooperative.

#### ANNUAL MEETING

PRE OR POST-ELECTION AD HOC MEMBER COMMITTEE – Was held April 12, 2018, at 6:00 P.M.

Board President Doug Schmier reported on the member meeting. CEO Bryan Case and Jerry Rigby also attended the meeting to provide information and answer questions. A good discussion was held by the committee members. Legal Counsel Jerry Rigby commented about how the true cooperative ideas were expressed. Issues were explored and discussed. A nominating committee packet has been prepared with substantial direction on the committee's tasks and responsibilities. It was suggested that staff take time to review the material with committee members.

The Ad Hoc Member Committee recommended to the full board to leave the Cooperative's by-laws and nominating committee practices as is with encouragement to provide additional training to committee members.

**Director Dan Skene made a motion to accept the Ad Hoc Member Committee recommendation, Director Dede Draper seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

#### PROPOSED BY-LAW CHANGES

Proposed new language for possible freezing Term Limits if, serving on Regional or National Industry Boards was discussed with the Board.

President Schmier discussed the value of having a board member continue to serve while being on a regional or national board. Fall River has access to industry experts and is on the forefront of emerging trends and has access to information about opportunities and threats as they arise.

Discussion ensued about the perception that this request may be viewed as special consideration or once terms are frozen for Regional or National boards will there be an attempt to freeze terms for other board positions? A recommendation was made to ask a member committee to review the advantages and disadvantages and have them submit a proposal to the board. There was concern about taking this to the membership as a Board recommendation. A straw poll was taken and the directors expressed a desire to leave the term limits as voted on by the members.

#### CHESTER HYDRO SECTION 242 RENEWABLE FUNDS RECEIVED

\$96,332. The Cooperative received a payment of \$96,332 for section 242 funding. This amount was based on generation from Fall River's Chester hydro project.

#### BPA

Information is available on the Citizen's Guide providing Fish Facts and the positive results BPA is seeing from significant investments by Bonneville Power Administration.

#### HR 3144 SUPPORT OF THE BIOLOGICAL OPINION NEWS

While in Washington D.C., Fall River's Georg Behrens and CEO Case sought support for HR 3144 and quizzed Simpson's staff on what appeared to be recent reluctance to support the proposed legislation. Simpson's Staff indicated the Congressman was still a staunch supporter of BPA and the Federal Dams. CEO Case reported that the bill has been sent to Senate floor.

### MANAGEMENT DISCUSSION ITEMS

#### QUARTERLY FALL RIVER PROPANE UPDATE – DAN SKENE

Fall River Enterprise director, Cindy Martinsen was in attendance. Director Dan Skene presented a Propane quarterly report update. First Quarter financials are looking good. He explained a tank setter will be hired instead of a technician. This will save money because of the wage scale differential. Fall River Propane is looking at the value of being a "keep full" at one of our bulk tanks from the distributor. Director Dan Skene expressed the need to continue to increase the number of customers in the Star Valley area.

Propane staff have made progress with billing service hours; reaching 64% of our service hours are currently billed, with expectations to have 80% of the hours billable by the end of the year. New software has been purchased that will help track the hours. Questions about billable hours were asked. Fall River's Member Services is doing a good job letting members know costs for service. Contractors have been, and will continue to be, contacted to see if they can help promote Fall River Propane. Getting Fall River Propane's name in the public eye is an ongoing process and strategies are continually being worked on by Ted Austin, PR Manager, and Propane Manager JT Hill. Board candidate, Steve Anderson asked several questions.

#### 2018 COOPERATIVE GOALS YEAR TO DATE

CEO Case expressed that the plan is in place and Fall River staff is making great progress on our 2018 work plan and Cooperative goals.

#### 2018 WORK PLAN PROGRESS REPORT

CEO Case briefly reviewed progress staff is making on the 2018 work plan. As noted in the board packet, much progress has already happened in the first quarter. There are a few areas where programing needs to be accomplished by the vendor before we can proceed on specific work plan projects. However, there are only a few areas we have concerns.

#### ORGANIZATIONAL CHART -

CEO Case presented an updated organizational chart requesting additional staffing. CEO Case requested approval for hiring two Apprentice Lineman, additional staff for the IT department in 2018, and a staff engineer in 2019 for succession planning.

**Director Jay Hanson made a motion to include 2 apprentice lineman and 1 IT person to the organizational chart, Director Brent Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE**

#### SOLAR FOR SCHOOLS UPDATE

Community support through actual contributions is disappointing. We still have time for the project and fundraising marketing efforts will be increased.

#### SMART HOME PILOT PROJECT

An agreement with members is in review with the attorney. Staff continues to move to the implementation phase.

#### HYDRO HALL OF FAME – PLAQUES AND PICTURES IN HALLWAY

Pictures of the hydro plants and facilities have been framed and are on display in the hallway leading to the board room. Executive Secretary Joni Amen has put quite a bit of work into the project and it is appreciated.

#### MATERIAL REQUEST FOR PROPOSAL RESULTS

Request for proposals were received from five companies. Four companies supplied proposals for consideration. One provider did not meet the bid specifications, and the other three entities were all close in costs. After discussion with Staff and management, Border States was approved as Fall River's material inventory provider for the next three years.

#### HYDRO FACILITIES UPDATE

Island Park is operating at 100%. There is more water than we can move through the turbines and so some water is going over the spillway. Buffalo hydro is producing as expected. Felt continues to generate more than anticipated due to a good water year. Recently staff installed new rake controls at the plant which allow for greater efficiency in operating the plant.

#### SAFETY AUDIT REPORT

Jerry Lemm,, a consultant with safety and hydro facilities experience, was contracted to inspect Fall River's hydro facilities to identify potential safety concerns. He has prepared a report and staff are working to incorporate his recommendations into Fall River's safety manual.

#### FELT GENERATION DECLARATION – BPA REQUEST BY OCTOBER 2018

BPA requested Fall River inform them about FR's intent to take Felt generation to load in 2020 or continue to sell it under a PURPA agreement by October 2018. Staff is currently evaluating the various options available to Fall River.



In addition, staff are preparing for the FERC relicensing process by assembling a team of specialist to prepare and submit reports to re-licensing the Felt project. A request will be sent to FERC to start the process. Ted Sorenson is working with CEO Case. Cleanup will be ongoing. Relicensing will be due by 2023.

#### HWY 20 EXPANSION IN FRONT OF THE ASHTON OFFICE – UPDATE

Several proposals were presented to expand Highway 20 which include:

- 1) A dirt berm to almost the front door.
- 2) An 8-foot concrete retaining wall.
- 3) Reroute the Highway.

A public meeting will be held April 28 sponsored by the Idaho Transportation Department.

#### NWPPA E&O

Dave Peterson led an engineering round table at the NWPPA E&O Conference. He provided great leadership and was a good representative from Fall River Electric.

#### COST OF POWER 2017

The avoided delivered wholesale power cost for 2017 is .0363 per kWh.

#### HOOPER SPRINGS TRANSMISSION LINE -BPA TRANSITION TO LOWER VALLEY

Lower Valley Energy will be building the Hooper Springs Transmission line and BPA will lease facilities from Lower Valley Energy. Fall River is supportive of Lower Valley building the line and is expected to be able to build line for less money.

#### EMERGENCY FUNDS

A CFC \$10M Power Vision loan has been executed and is available for long term debt, if needed.

#### HIGH VOLTAGE SAFETY DEMONSTRATION SCHEDULE

Safety demonstrations are being held at the offices using the new safety trailer. Approximately 300+ students have seen the demonstration so far with many more scheduled to participate. Propane safety has been added, as well as a brief overview of the Cooperative, and possible future jobs for the youth. The demonstration will be held for Search and Rescue, EMTs, and other public safety groups.

#### EXECUTIVE SESSION

**Director Brent Robson made a motion to go into Executive Session. Director Ralph Burton seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

**Director Dede Draper made a motion to go out of Executive Session. Director Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### REPORTS

BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

Executive Committee Chairman, Doug Schmier

Administrative Committee, Dede Draper

Donations

Engineering & Operations, Brent Robson

Finance Chairman, Dan Skene

Ad Hoc Policy Committee Chairman, Ralph Burton


Attorney Rigby's Report

Fall River's Management Report

ADJOURNMENT

There being no further business, **Director Georg Behrens moved that the meeting be adjourned. Director Dan Skene seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 4:00 p.m.

DATE APPROVED: May 30, 2018



Secretary, Dede Draper