

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

May 30, 2018

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, May 30, 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 10:00 a.m. Executive Assistant Joni Amen, recorded the minutes. The invocation was given by Director Jay Hanson. 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, Jay Hanson and Debbie Smith

DIRECTORS ABSENT

None

OTHERS

CEO/General Manager (GM) Bryan Case, Executive Assistant Joni Amen, Manager Member Services Brand Hathaway, CFO Linden Barney, and Legal Counsel Jerry Rigby by teleconference.

Guests: Shelbie Tuckett, Todd Marx, Jack Baird, Mike Oswald, Wes Donahoo, and Brent Crowther

CEO Case welcomed the Board members and guests and then showed a picture presentation including the damaged pole resulting in the Rocky Mountain outage, safety demonstrations, and some scholarship recipients.

CEO Case reported that the Rocky Mountain outage duration was shortened by closing in the old switch. This took quite a bit of coordination with Operations Manager Trent Yancey and Rocky Mountain staff. The next day the favor was returned when Rocky Mountain had an outage and needed some transformers that Fall River had in stock in the yard.

APPROVAL OF AGENDA

Director Hanson made a motion to approve the Agenda. Director 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 Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

Director Robson made a motion to approve the Minutes of April 23, 2018, with corrections. Director Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Hanson made a motion to approve the Consent Agenda. Director 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 Ron Dye – He has acquired an antique yard light that was one of the first Fall River offered when it was organized.

Director Brent Robson – Reported that he attended the Fall River annual wellness health fair/blood draws, which was a very good experience and he complimented Fall River employees.

Director Jay Hansen – Attended the CFC Board Meeting and participated in a webinar recently. He found it very interesting. He reported that most of the loans CFC is working on are related to Broadband projects. He was impressed with CFC's staff. Director Hanson had the opportunity to vote on the Hooper Springs Transmission Line with Lower Valley funding recently. He said he is looking forward to the CFC 100% borrower's forum in Indianapolis on June 10th. He said there are some very special guests speaking at this meeting.

Director Dede Draper – Dede Reported that she has attended awards assembly's and presented scholarships recently. She also attended the ICUA meeting in Boise recently. Chairman Jim Yost reported on the Power Council. CEO Case added that this is important because the group was very liberal and it is a good thing to get some balance. The State Legislature now are required to be vetted from the State. They are making progress with common sense decisions. There was a Nevada speaker who reported on retail choice, which is a constitutional amendment. The costs, across the board, will go up if it passes.

Recently during discussions in DC, the Idaho group approached Senator Simpson on HR 3144. Senator Simpson had the opportunity to add this language to the Omnibus Bill but choose not to. His reasoning is that it didn't add value to Idaho and even added a question of "what if" on the dam breaching. It was very worrisome, for the Idaho delegation, that maybe he is really in favor of breaching dams. We should make sure that he is aware of the value that the dams have added to Idaho Public Power. Director Jay Hanson asked for staff to write a detailed letter making sure that Mr. Simpson knows the concerns that have been discussed.

Legal Counsel Jerry Rigby – He addressed the issue of Montana becoming very liberal which has been confusing.

Director Ralph Burton – agreed that the CFC conference was one of the best conferences he has attended.

CEO Bryan Case – reported on the staff who traveled to Bandera, TX in May. CFO Barney and Member Services Manager Hathaway reported that the trip was very interesting. Bandera provides service to their members if they see a need and members ask for them. In providing these services, they have determined that they must be priced without subsidizing any of the projects. They are making 40% margins on their distributive generation and they are providing knowledgeable service. The purpose of the trip was to show staff how innovation in Tesla Power Walls, Broadband, and Distributive Generation is possible. Brand said he was impressed with the Apollo-ware and the Solar software system that will breakdown and aggregates the data to allow members to see how much they are generating with each of the various sources of power. They hired a team to build this software. Brand was very interested in the way they had a problem and how they solved it.

CEO Case said that the young staff that he sent all mentioned how we should embrace change and how Bandera is meeting the needs of their members. It opened eyes on what is possible.

President Doug Schmier – said that the graduation was fun he enjoyed handing out the scholarships. He then reported that the NWPPA Annual meeting was very interesting. He is on the Audit Committee and reported on the Bylaw changes they passed. No changes on the fee structure this year and with a total of 155 members. The key note speaker had some interesting facts and reported that millennials are building larger homes now and talked about the difference between wind, solar and oil generation.

MEMBER COMMENTS –

Case reported on a member who reported some hard blinks in the Teton Valley. BPA is working to replace green glass that has been failing on the Transmission line between Targhee and Swan Valley, they are working in swampy terrain so taking longer than anticipated.

Doug Schmier reported that he recently called CRC and he was very impressed with the quality of the response from the CRC Member Service Representative.

FINANCIAL & STATISTICAL REPORTS

Margins through May were ahead of budget by over \$1M. The biggest factor continues to be revenue net of power costs:

- Revenue is \$720k higher than budget due to 7% more kwh sold to members plus \$104k more sold under the Felt PURPA agreement.
- Due to a good water year we have had higher than expected generation that has resulted in resource support service costs year to date being \$64k less than budget.
- Out of pocket hydro repairs and maintenance costs are also under budget by \$67k.

In addition to power costs, labor and benefits are under budget year to date by 4% (\$96k) and interest expense is down as we have not had to borrow, variable rates have not increased as much as anticipated.

Cash flow:

We have generated \$1.9 million from operations YTD, invested \$1.1 million in plant and paid down \$1.7 million in debt.

Director Burton asked about the dashboard and CFO explained that we normally have losses during the spring, but this year we haven't lost money. We always make it up during irrigation season. The question was raised if it stays wet and growers don't need to start irrigation pumps, will it have an impact? CFO Barney said we get the horsepower charge up front, so the fixed costs will be covered.

He explained how he analyzes the trends to predict the ten-year forecast. They look at the rates and at assumptions. The equity forecast is anticipated to be over 45%. As we go into 2027, then it will begin to be reduced as we pay out the patronage capital.

Director Hanson made a motion to accept the Ten-year Financial Forecast Report as presented. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

A presentation was shown on Fall River's Equity and how each decision made, affects that number. We went through some painful times with staff reduction and many other tough decisions made to help raise the equity to what it is today. As a member of the CFC Board, Director Hanson reported that he was very happy with how Fall River is doing.

COOPERATIVE BUSINESS

ANNUAL MEETING REVIEW

CEO Case explained the floor plan and the way it will flow. He asked for everyone to arrive by 7 a.m. for breakfast. The Board will meet at 8:00 a.m. for a short Board Meeting with special guest speaker Elliot Mainzer joining us. Question cards will be gathered from the audience during the Business meeting and sorted and directed to the logical responder, BPA questions may go to Mr. Mainzer. We are limiting the candidate speeches to 2 minutes. Instructions were discussed on how the new scholarship will be awarded. Eligible students who applied but were not successful in winning a regular scholarship will sign a raffle ticket, we will draw one name. The student must be present to win. Director Georg Behrens and Director Debbie Smith volunteered to do the gift give away.

The Board of Directors will reconvene the Board Meeting directly after the Annual Meeting.

Director Hanson made a motion to dispense holding the June 18th Board Meeting. Director Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY 7 YEAH VOTES AND 1 NAY VOTE.

The next Regular Board Meeting is scheduled to be held on July 23rd. It was decided to schedule the Strategic Planning Meeting, along with the August's Regular Board Meeting on August 20th and 21st at Lakeside Lodge.

STRATEGIC PLANNING PRIMER

CEO Case said that things are happening quickly. Retail choice is something that needs to be prepared for. Battery technology is rapidly changing and one of CEO Case's main concerns.

Director Burton commented that the large debt Fall River is carrying is a concern, especially if we begin to lose members in the future. The shrinking pool of members

paying the bills worrisome. Director Skene added that he agreed with paying down the debt, but he would also like to see additional diversified revenue streams.

POLICY REVIEW

Director Hanson made a motion to retire GP #623 Sexual Harassment and to adopt the new combined GP #625 Anti-Harassment. Director Robson seconded. Following discussion on the legalities and liabilities, a voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Burton then made a motion to approve the updates to GP #311 Disposition of Property and Sale of Materials and Equipment, GP #603 Equal Employment Opportunity and Affirmative Action, GP #604 Selection or Promotion of Personnel, GP #624 Benefit Procedures for Disabled or Terminating Employees, and GP #626 Blood Borne Pathogens Exposure Control Plan as recommended by the Policy Committee. Director Draper seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXECUTIVE SESSION

Director Hanson made a motion to go into Executive Session. Director Behrens seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson made a motion to go out of Executive Session. Director Behrens seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

NCSC VOTING DELEGATE

Director Hanson made a motion for CEO Case to act as voting delegate for NCSC, Director Robson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE

BPA

Discussion on the Columbia River Treaty was held.

BROADBAND DISCUSSION

The Board agreed not to apply for the grant for Broadband.

CEO Case explained the rate structure for Fall River's leased fiber. He wanted to be totally transparent with the Board and asked if they had any comments with the rate sheet presented. This would be a 20-year agreement with communication companies in 5-year increments to either renew or get out. It was decided that we will use the same pricing structure and treat everyone the same.

BOARD POSITION FOR NORTH ISLAND PARK – DISTRICT 8

Director Burton reported that he has a solid offer on his home in Island Park. If it closes as planned, he will no longer be eligible to serve on the Board of Directors. The Board will make the decision of what to do when that time comes.

MANAGEMENT DISCUSSION ITEMS

CEO/GM BRYAN CASE VACATION

The Case family will be leaving on June 2nd for an Alaska Cruise. He will be back to work on June 11th.

FALL RIVER TRANSMISSION SALE TO BPA UPDATE

Nothing to report.

FERC

Management is going through the process to see if Fall River can be De-Certified.

SOLAR FOR SCHOOLS & SMART HOME PROJECT UPDATE

The funds have mostly been raised for the schools to begin go forward with the project. North Fremont and West Yellowstone are still actively fund raising. The Smart home project is moving forward.

HYDRO FACILITIES UPDATE

Island park has been running smoothly. The blowers stopped working when a belt came off on a Sunday and our DO dropped below 7 ppm for a brief time. Staff is working to make alarms automated. Buffalo is running smoothly and Felt is also running well.

Chester Hydro – Recently repairs had to be made and employees were willing to do whatever it takes to get the work done. CEO Case said that our staff is spectacular, and he is very proud of the way they performed.

REPORTS

BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

Administrative Committee, Dede Draper entertained a motion for the Administrative Committee to approve the Administrative Committee minutes.

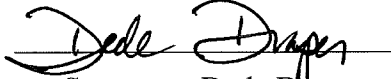
Director Smith made a motion to approve the Administrative Committee Minutes of April 23, 2018, as presented. Director Behrens seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE OF THE ADMINISTRATIVE COMMITTEE.

Fall River's Management Report was included in the Board Packet.

ADJOURNMENT

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

DATE APPROVED: July 23, 2018


Secretary, Dede Draper