

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

June 19, 2017

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, June 19, 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 10:05 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Ralph Burton.

President Schmier and GM Case asked to take a moment to recognize Boyd Bowles for the 15 years of dedicated service to Fall River. Boyd also served as Board President from 2008 through 2013. A meter lamp was given to Boyd as well as a plaque in appreciation for his years of service. GM Case added that when he first came on as manager Boyd acted as a mentor to help with the transition. Boyd's leadership was critical as the Cooperative went through the great recession; set long-term financial goals; and was supportive of recommendations to invest in technology and automation. As President, Boyd always made sure that all board members were included in the discussion on all important issues. His dedication, fierce loyalty to Fall River and its members, and leadership have benefited the Cooperative and its members.

ATTENDING OFFICERS

President Doug Schmier, Vice-President Debra Smith and Secretary/Treasurer Dede Draper

DIRECTORS PRESENT

Brent Robson, Jay Hanson, Ralph Burton, Boyd Bowles, and Ron Dye

DIRECTORS ABSENT

Dan Skene

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Joni Amen, Operations Manager Trent Yancey and Member Services Manager Brand Hathaway, also in attendance was Attorney Jerry Rigby.

Guest Candidates: Nolan Boyle, Georg Behrens.

APPROVAL OF AGENDA

Jay Hanson made a motion to approve the Agenda. Brent Robson 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 May 22nd, 2017, Jay Hanson made a motion to approve the minutes as corrected. 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. Boyd Bowles 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

There were no new comments to share.

FINANCIAL AND STATISTICAL REPORTS

MAY 31, 2017 FINANCIAL REPORTS – GM Case reported net margins, year to date through May 31st, was \$2.2 M, which is \$488,000 more than budgeted margins for the same period. The majority of the excess margins, \$430,000 is due to a colder than normal January and February. The Cooperative recorded higher kwh sales (4 of the 5 previous months year to date and have the recorded highest kwh sales of last 5 yrs.). Power costs are up but not as much as revenue (2.3% vs 4.1%) given the higher amount of fixed amount in the power costs. May is our high margin month due to billing irrigators their horse power charge.

Fall River is adding new services at about the same pace year-to-date as in 2016. The Cooperative has a good cash flow even with the \$4 million borrowed in anticipation of executing the lease repayments for Felt. Fall River had a 38% equity ratio prior to borrowing the money against the Cooperatives line of credit at the end of May. The \$4 million is in the escrow account. Borrowing on the line of credit resulted in a 37.5% equity ratio.

Controllable expenses are 2.5% under budget YTD. The Cooperative is under budget through May. Labor for overtime, on outages and assisting Lower Valley with their blow down, are over budget as specific line items. We received payment from Lower Valley in June and labor costs attributed to outages should come back in line as we finish out the year.

Director Ron Dye noted that they are busy in Island Park with construction. Construction in other Fall River service areas also seem to be increasing.

CAPITAL BUDGET CHANGE - A change was requested on the Capital Budget for memory storage devices. The RFP was accurate but the product was not sufficient,

especially when we begin scanning in the materials from the vault. The vendor credited back all costs and discounted the appropriate equipment. GM Case asked for Board approval to postpone the new Ashton switches for \$80k until 2018 and add \$70k for Cisco network PoE switches to this year's budget.

Ralph Burton made a motion to go ahead and approve an additional \$70,000 increase to the capital budget for the Cisco network PoE switches and to continue with the New Ashton Switches as scheduled this year. Debbie Smith seconded. THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

ANNUAL MEETING REVIEW – The board packet was presented for the Annual Meeting. GM Case said the board meeting begins at 8:00 am. He invited everyone to come early for breakfast. Bryan gave a rundown of the timelines for the meeting and instructions. He said CEO Beth Looney, PNGC will discuss NW power markets and rates. President Schmier will speak about Fall River's strategic initiatives in preparation for the future. GM Case will speak about 2016 accomplishments, BPA's wholesale rate increase of approximately 8%; and thank Boyd Bowles, staff, and the membership.

Attorney Rigby noted three of the cooperatives he represents are having shorter meetings on weekday evenings. They still do prizes to meet a quorum. Since Fall River votes online we have a quorum with our bylaws of at least 150 voting members. Raft River increased their attendance by 30% with around 200 members in attendance at their business meeting which was held on a weeknight.

Other details were discussed in depth and board assignments given.

FUTURE HEADS UP – HWY 20 TO WEST YELLOWSTONE –

There has been discussion with the State Highway Department about long-term changes on Highway 20. The turn off on our intersection is a concern with increased summer traffic. It was brought up recently in a meeting and the State Representative said there were no plans to change the highway into a four-lane or move it. They later called and said there may be plans to expand into a four-lane or reroute it. They aren't sure which way, but they are reviewing possibilities. If they do widen Highway 20, it will affect Fall River's Ashton office as it would be right in the way.

Director Draper mentioned that there are a lot of accidents with animals in Island Park as well. With this discussion, GM Case presented a letter from Fremont County Commission opposing a National Monument in Island Park. Fall River's involvement has been to ensure we can access new right of ways and maintain existing infrastructure to service our members in Island Park.

Ron Dye asked if County Commissioners could be asked to attend and even participate in Fall River board meetings. GM Case said our staff does meet with them regularly. He said we could invite them to a board meeting. Attorney Rigby advised that if they all come it constitutes a public meeting and you would have to follow the regulation on notice of a public meeting. Inviting one to attend would remove that requirement.

FELT AGREEMENT UPDATE

GM Case gave kudos to Attorney Rigby on his work on water related issues, we are thankful to have his expertise on board and due to established relationship with Jerry's firm, Fall River has access or contacts with the right people at PacifiCorp. Contact has been made with PacifiCorp on the purchase of power agreement. The water rights are in Fall River's name. FERC licenses appear as though they will be easy to change over because Fall River is the owner, we just need switch to licensee to Fall River.

Director Robson asked about the numbers on production at Felt. He also noted that below the plant there is a slide area where folks go into the river, BLM have concerns about erosion. There was some discussion about possible solutions.

GM Case report the initial plant inspection has occurred and report will follow. Director Dye asked about personnel, GM Case said we have offered to bring the current employees on as operators.

BONNEVILLE POWER ADMINISTRATION SIGNIFICANT UPDATES- Draft Record of Decision. ROD UPDATE

Bonneville Power Administration raised the increase from 3.1% to 6.1% but the increase did not include impacts for the BPA proposed financial reserve; Judge Simmons spill surcharge; or a possible financial cost recovery adjustment clause (CRAC). GM Case anticipates an 8% rate increase, he reported on the reasons. Draft record of decision will be decided by July. Fall River will incorporate the Draft ROD information into our forecasts to anticipate the possible effects on Fall River.

Wholesale power costs represent ~ 40% of Fall River's costs.

Fall River began charging for idle services in 2016 and we may revisit the value of charging for idle services. The Cooperative's \$36 line system maintenance charge for residential accounts may need to be increased. Fall River's rate structure and the possibility of adding a demand charge to residential accounts was discussed. The Board and staff discussed other ways of covering BPA's proposed wholesale power cost increases. Regarding privatization, public power in the Northwest is generally opposed to privatization of BPA's transmission assets because of the right of transmission is currently established and if the assets were sold there would need to be a reassignment of transmission rights.

Director Robson asked about the irrigator vs other services and GM Case stated that all of Fall River's rate classes were equally sharing the cost to provide service as of the last cost of service analysis performed last year. Staff doesn't anticipate the need to make significant adjustments between rate classes. The adjustments we made in 2016 did what we expected by leveling differentials between rate classes.

BPA'S PROPOSED CHANGE TCMS

BPA proposed a TCMS process to allow BPA customers to purchase non-federal power at the Mid C hub and then deliver to customers, but would only pay the last leg of transmission. The proposed program is mostly positive and meets a need expressed by

BPA customers to purchase market power and deliver it to load. The proposal does disadvantage six Southeast Idaho public utilities (Fall River, Lower Valley, Idaho Power, Soda Springs, Lost River, and Salmon River) by requiring these utilities to pay for an additional transmission leg to deliver power. Exceptions have been made for Wells Rural and Harney Electric and the six Southeast ID utilities would like similar treatment to all other BPA customers. Currently, Fall River as a member of the PNGC power pool is exempt from impact because PNGC is a joint operating entity (JOE) and BPA is obligated to deliver power to the end customers at no additional charge.

GM Case, on behalf of ICUA and as the ICUA board president, asked BPA to extend the timeline for a comment period for the staff proposed TCMS process. The ICUA letter to BPA express the concerns of the six Southeast Idaho utilities and was received by BPA. Bryan made personal calls to PPC, PNGC, and NRU and all agreed to be supportive of ICUA's position. Initially, BPA indicated they would not make changes to the proposed TCMS programs but later changed their mind and will open up the issue to some public hearings tentatively scheduled for mid-July. There is still an uphill battle but having a public hearing is a positive step.

GM Case apologized about the number of pages in the packet. He and President Schmier reviewed the information and decided it was important to include PNGC's strategic planning material in the Fall River board packet. The strategic information is pivotal in PNGC's future.

Strategic planning discussion topics included the blended rates model, risk mitigation, and the future of wholesale power. Fall River would be interested in a long-term agreement with PNGC as long as there is value for Fall River and a pre-defined way out if we wanted. The Cooperative does have options. Fall River is striving to do business for fewer costs and be more efficient while remaining competitive. GM Case's advice was for PNGC to build a business model which will attract additional utilities and market conditions currently exist to help incent cooperatives to participate. He feels that the blended rate model with the on/off ramp must be implemented. Change is coming regardless.

COLUMBIA RIVER TREATY -

GM Case and Attorney Rigby attended the Idaho Water Users meeting in Sun Valley. GM Case only stayed for a portion assisting Brandon Hoffman of Henry's Fork Association. He stated that they had a frank discussion on the problems in the past.

LETTERS OF OPPOSITION IN SELLING BPA TRANSMISSION ASSETS. Letters from the Oregon and Washington federal legislative delegates and a letter signed by all the NW delegates opposing the administration's proposal to sell of BPA transmission assets is included in the board packet. A proposed letter which is being circulated for signature was also included,

FALL RIVER MEMBER SURVEY. GM Case discussed the results of the member survey. Highlights from the survey include:

1. 89.87% of members would recommend Fall River to a friend.
2. 72.2% of Fall River members knew the Cooperative generates some of its own power.
3. 79.69% of members knew the Cooperative's power primarily came from hydro-electric facilities.

Areas needed additional communication efforts include helping members understand they are the owners of the Cooperative; understand Fall River's commitment to conservation and the programs available to help them. The survey also included questions related to 3 different potential projects or services Fall River has contemplated.

- 1- A Community Solar program. We could collect fees upfront and have the commitments prior to executing a solar community project. We would have a third-party vendor. Staff prepared a cost estimate for a community solar project and the costs are about 5.5 cents per kW hour if the member pays up front and Fall River finances it, it is over 9 cents.
- 2- Seeking funding to sponsor an educational wind/solar project at local high schools. Fall River potentially would start with three schools for the distributive generation educational component. We could explore grant opportunities.
 - a. Other funding options included:
 - Helping Hand's purpose is to assist with energy needs and the HH board has discussed assisting high schools by contributing to a project like this.
 - Fall River could sponsor do a Crowdrise donation on the internet like the voluntary donations for the Millers Pond and Texas Slough swan projects. The project could do a comparison to Hydro's, FR, wind vs solar.
- 3- Backup generation financing for members. The survey showed that while many have considered getting a backup generator many noted they didn't know who to call, or what to purchase. Members indicated, 47.12% had not purchased one due to the cost. 20.47% of the respondents said they were interested in getting help with financing.
 - a. Fall River could have a preapproved list of electricians available and could provide members with information for sizing a generator so members would be better educated on what they need.

GM Case asked if these items are worth spending time investigating. The Board consensus was that yes, it would be worth the time to look into it. Staff will put together business plans and present them for the board to consider.

HYDROELECTRIC OPERATIONS -

IP flows are 850 out of the gate until irrigation picks up. Everything is going well, there is some noise on the blowers which is a concern. We will schedule maintenance work when there is less need for the blowers. The dissolved oxygen has remained above 7.0.

Buffalo is working well.

Chester has two turbines operating and using all available water. We had a blink early in the morning on the 169-transmission line and the exciter on turbine #1 isn't working since that power bump. Turbine #2 is working fine. #3 generator has a noise which has

developed and staff will investigate. Riverside will be coming and they will de-water and do exploratory and maintenance work.

Staff will be presenting long term solutions to trash rake at Chester

ELECTRIC VEHICLE CHARGING STATIONS – POSSIBLE GRANT OPPORTUNITIES

There is grant money available from the State to do some charging stations in 2018. GM Case asked if the board was interested in exploring the opportunity. It was noted that we have a Tesla and Universal charging stations at 511 in Ashton other stations in Victor and Driggs were discussed. For Tesla vehicles, if a business sponsors a Tesla station, they pay the electric costs for Tesla vehicles that charge at their station. As people wait for 30 minutes to an hour they usually visit the business and are patrons GM Case said we will explore and get more information to the board.

SMART GRID INVESTMENT

Fall River invested in AMI meters and a fiber backbone system in 2010. Fifty percent of the project was paid for by a DOE grant. Staff reported on the savings which have been accumulated since the inception of that project. To date the project has estimated savings of \$1.8M and is expected to save over \$4.7M over the life of the assets. Staff continues to explore ways to use the Fiber and AMI data to generate revenue, reduce costs, and increase efficiencies.

GRAND TARGHEE – ON SITE GENERATION

Gorde Gillette of Grand Targhee Ski Resort is still interested in having Fall River Electric providing financing for the purchase of a large backup generator. We will be drafting an agreement for Grand Targhees' review. It is solely for their benefit and the concept was discussed to see if the board was supportive of moving forward. The consensus of the board was to proceed.

GM Case discussed an idea Boyd Bowles and Dave Peterson has suggested in using a 1.5-Megawatt generator to excite a Fall River hydro which in turn could excite the other hydro all while picking up Fall River load. Tying one large generator to several hydro operations may allow Fall River to provide limited power to the area in the case of a widespread Southeast Idaho outage. The generator could act to balance generation and load. It may be worth looking into but would only be an insurance policy if the power goes out. There would be ongoing costs for maintenance and fuel.

BOARD OFFICER ELECTION

Every year we have open nominations for officer positions within Fall River. The board president usually serves 2-year terms, the guidelines are just that. Director Hanson will send out an e-mail. The board office elections will be held July 24th.

NRECA District Meeting

Director Robson made a motion that Director Draper will be the voting delegate and he volunteered to be the alternate, motion was seconded AND THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson is up for election on the CFC Board. **Director Robson made a motion that the Board will support Jay in the nomination and in continuing on the CFC board. Director Dye seconded;** THE MOTION CARRIED BY UNANIMOUS VOTE.

EXECUTIVE SESSION

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

Jay Hanson made a motion to go out of executive session. Boyd Bowls seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FOR INFORMATION PURPOSES –

ICUA Board Report was included for review.

DARK FIBER - GM Case reported that we have leased more dark fiber and they may want additional fiber in the future.

REPORTS

BOARD REPORTS:

Director Burton stated that the CFC was a wonderful meeting he very much enjoyed.

BOARD COMMITTEES:

Director Bowls reported that the Finance Committee has directed staff to send out RFP's for financial auditors.

Director Burton reported that we will have another meeting in July to work on policy updates.

ATTORNEY RIGBY REPORT

Nothing to report from Jerry Rigby.

MANAGEMENT REPORT: Included in the packet.

All of the Board Members wished Boyd well and stated that they will miss him and thanked him for his contribution to Fall River. Attorney Rigby added if all board members in other cooperatives were like Boyd Bowles, they would be in better shape. President Schmier said that he will be irreplaceable.

Boyd thanked the board for their kind words and said he was sure that the board is in good hands.

ADJOURNMENT

There being no further business, **Director Hanson moved that the meeting be adjourned. Director Dye seconded.** By consensus, the meeting was adjourned at 4:15 p.m.

DATE APPROVED: July 24, 2017


Secretary, Dede Draper