

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

July 22, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Tuesday, July 22, 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 CEO Bryan Case. The Pledge of Allegiance was recited.

CEO Case reminded the Board that next month we will have a photographer present and to dress in business attire. He also announced that the strategic planning survey from NRECA has been sent out. Please fill out the survey by July 30<sup>th</sup>, in preparation for Strategic Planning meeting next month.

President Schmier welcomed Board members and the employees who were present.

ATTENDING OFFICERS

President Doug Schmier, Vice President Brent Robson, Secretary/Treasurer Husk Crowther, and Past President Jay Hanson

DIRECTORS PRESENT

Dede Draper, Anna Lindstedt, Jodi Stiehl, and Georg Behrens by telephone conference

DIRECTORS ABSENT – Jeff Keay

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, CFO Linden Barney, Manager of Engineering Dave Peterson, Manager of Member Services Sheena Stricker, Manager of Operations Trent Yancey, IT Manager Shannon Hill, Lineman Aaron Kearsley, Member Service Rep Amy Marsden, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

**Vice President Robson made a motion to approve the Agenda as presented. Director Hanson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

**Director Crowther made a motion to accept and approve Expense Vouchers as corrected. Director Draper stated that she was overpaid for May and corrected her expense voucher. VP Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

**Director Hanson made a motion to approve the June 17<sup>th</sup>, 2019 Board Minutes as corrected. VP Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

**Director Hanson made a motion to approve the June 15<sup>th</sup>, 2019 Board Minutes as**

Board Minutes of July 22, 2019

**corrected. VP Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### CONSENT AGENDA

CEO Case reported the 2019 budget for early retirement of patronage capital refunds is nearing the budget set last year. We have had higher than expected requests for early retirement of discounted refunds.

**Director Hanson made a motion to approve the Consent Agenda. Vice President Robson seconded the motion which included, discounted patronage capital refunds report, check register, and safety report.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### COOPERATIVE REPORTS

Director Draper said that she sent out the ICUA annual meeting report via email recently. Director Crowther said he enjoyed the meeting this year, the content was very good. CEO Case said he thought the Dr. Welch's report was very good and he will send it out once it is made available so everyone has a chance to review it. The comparison of fish and salmon counts on 10 rivers were all the same. All of the rivers compared, except the Columbia River, were pristine, free-flowing rivers without dams. Secretary Crowther noted that we have spent billions of dollars and those dollars spent do not seem to be the factors in the returning fish numbers. While Dr. Welch suggested we need to continue to mitigate for the impact of hydroelectric facilities, he was suggesting we were doing all we could in the freshwater tributaries and the constant in all the rivers are the factors and conditions impacting salmon while in the ocean. His conclusion is that we have been focusing in the wrong area to solve the problem and there needs to be a re-examination of science and the facts. It was also noted the Atlantic salmon are experiencing similar issues as they return.

Director Stiehl said there was an interesting report on the issue of the spill at the dams. The mandated spill is returning adult salmon back downstream and that only 50% find their way back up the fish ladder to spawn. Also, an interesting statistic is the actual costs for fish and environmental costs, including the cost of spill, represents about 30% of all the electric rates. Jodi was impressed with all the presentations at the ICUA annual meeting.

Mr. Rigby said he was at Rocky Reach Reservoir and there are issues with harvest and predators causing the same problems there. It is interesting that we throw money at problems and then don't address the issues of predation.

Director Hanson reported on the CFC Forum and was most impressed with the cyber security threats that were reported. He said that the social networking report caused him great concern. He will share it with his grandchildren as it was so concerning. He noted that next year's Forum will be held in Salt Lake City so please plan on attending if you can.

It was noted by President Schmier that NWPPA has a lot of videos in their library from their conferences.

#### MEMBER COMMENTS

A few comments and letters from members were reviewed by the Board and staff

including those from William Watkins, Kelly McCauley, Kris Poloski, and Jim Pitsch. Fall River's current Net Metering tariff was discussed. Director Stiehl asked why we are buying power back at retail instead of wholesale power rates. CEO Case explained we have members in Wyoming and currently Wyoming requires utilities to buy excess power from consumers at the retail rate. This PUC policy will likely change in the near future and the Fall River Board will discuss how to equitably purchase excess power from consumers who use distributed generation.

## FINANCIAL REPORTS

The Cooperative has net margins \$575K higher than the budget expectations. This is a result of higher kWh sales mainly due to the cold wet spring. We do have lower irrigation revenues than expected due to a wetter than normal year. Labor and overhead costs are under budget by 115K. Long-term debt is being paid down and short-term cash reserves are being invested and interest expenses are lower than expected. Notable variances are due to timing with the tree trimming expenses not being incurred yet and the website development costs have not been realized. Overall, we are under budget by 6.7%. CFO Barney expects this gap to shrink as we go later in the year.

Capital budgets are at 63% for the year. We are a little bit ahead, but it was noted that carry-over from the previous year is a factor.

CEO Case discussed conflicting economic signals for the coming year which include great job creation and high stock markets however, manufacturing is anemic, most world economies are in a recession, trade wars with China and others, Iran, and the Federal Reserve reversing their plan to increase interest rates to plans on reducing interest rates starting later this year. The point is, there are several economic drags on the economy and early market signals are indicating there may be a downturn in the economy. Fall River's growth looks to be sustaining and is in line with expectations.

## COOPERATIVE BUSINESS

### ANNUAL REVIEW OF POLICIES

General Counsel Jerry Rigby took the floor to discuss the policies that are required to be reviewed annually. Discussion was held on GP 102 Duties, Responsibilities, Standards of Conduct & Professional Development; GP 625 Prohibitions on Discrimination, Harassment, and Retaliation; GP 605 Whistleblower Policy; GP 314 Retirement of Decedents Capital Credit; and GP 502 Member Data Privacy.

There were forms to be filled out on certifying that Board members reviewed these policies as well as a form to fill out disclosing possible conflicts of interest. President Schmier asked that Attorney Rigby be the keeper of the forms on possible conflicts.

### BOARD COMMITTEE AND OTHER FALL RIVER BOARD ASSIGNMENTS

The ICUA Board appointment was changed from Dede Draper to Georg Behrens with Dede Draper being assigned to be Fall River's Board Representative to the Fall River Propane Board replacing Doug Schmier. Other Board Committee Assignments are:

- Executive Committee- Chairman President Doug Schmier, Vice President Brent Robson, Secretary Husk Crowther, and Immediate Past President Jay Hanson
- Administrative Committee- Chairman Jeff Keay, Doug Schmier, Georg Behrens, Jodi Stiehl, Anna Lindsedt, and Jay Hanson
- Engineering & Operations Committee are Chairman Brent Robson, Jay Hanson,

- Anna Lindstedt, Georg Behrens, Husk Crowther, and Jodi Stiehl
- Finance Committee will be Chairman Jay Hanson, Husk Crowther, Jeff Keay, Dede Draper, and Anna Lindstedt
- Policy Committee will be Chairman Dede Draper, Jeff Keay, Jay Hanson, Doug Schmier, and Husk Crowther
- Fall River Propane Board Liaison Dede Draper and Alternate Doug Schmier
- Helping Hands Board – Doug Schmier, Jodi Stiehl, and Georg Behrens
- PNGC/PRC Board – Bryan Case and Alternate Jeff Keay
- MECA Board – Doug Schmier and Alternate Jeff Keay
- WREA Board Rep – Jodi Stiehl and Alternate Anna Lindstedt
- Chester Committee Members – Jay Hanson, Georg Behrens, & Husk Crowther

## SUPPORT OF SNAKE RIVER DAMS RESOLUTION

### SNAKE RIVER DAMS RESOLUTION #648

President Schmier said he doesn't understand fully the scientific data, but his understanding is such that he fully supports the resolution to preserve the Snake River Dams. Jeff Keay's letter was discussed and it was appreciated that there is a desire for additional information and learning. Director Crowther said that there is a point when we have to make a decision based on what we know and understand, even if we aren't fully educated. There is a balance and we have to trust the professional scientists.

Director Lindstedt asked what the urgency is and why do we have to make a decision now. CEO Case explained that this issue has been on-going for decades and the NOAA scientists have been studying this for decades. At some point, the biological opinion has to be recognized. The urgency is a result of Congressman Simpson starting discussions on what if we remove the four lower Snake River dams. Director Hanson made the comment that we are dealing with science, but we are also dealing with politics. A politician can make instantaneous decisions, but scientists takes years to build hypothesis and opinions.

Director Lindstedt said it would make her feel better to insert a statement that, based on the information we have today, we would like to adopt a resolution opposing the removal of the dams.

Director Husk said he is sitting on a Board for a power company and he is faced with a decision on power costs doubling based on the decision of taking out the dams. This decision should be focused on Fall River member's best interests.

**VP Robson then made a motion to adopt Resolution #648 Opposing Dam Removal and including the Board of Director's signatures. Director Hanson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## ANNUAL MEETING REVIEW

CEO Case included an Executive Summary for the 2019 Annual Meeting. Also included:

- Voting Information and Breakdown
- SBS Final Report- Certified
- Annual Meeting Minutes – To be approved by Members in 2020
- Member Live Survey
- Member Questions and Answers
- Bylaw changes are effective as of Annual Meeting June 15, 2019

It was noted that a new member survey is currently being conducted and the informational report will be provided at September's Board meeting.

Operations Manager Trent Yancey reported that in his conversations with farmers, their main concerns are about rates and reliability. He said they have had struggled with tight years, financially.

Fall River did seriously consider investing in high speed internet services nearly a decade ago. Fall River is in the fiber business and have leased dark fiber to a few vendors who in-turn provide services in West Yellowstone, Island Park, cell towers, and soon areas around Rexburg. Fall River's fiber backbone is used primarily by the Cooperative to ensure secure access for communications to our offices and substations. High speed internet access is readily available in the Teton Basin, CEO Case relayed that the Foreman in Island Park was just connected with a fiber to the home connection in Island Park. Director Hanson said his experience serving on the CFC board has been that many Cooperatives have entered the high-speed internet business and about 50% have failed. Most of the companies that were successful were the ones in partnerships with communication companies.

#### MEMBER COMMITTEE TO REVIEW NOMINATING AND VOTING PROCESS

CEO Case gave the list of members that might serve as Committee Members. The list of proposed committee members was discussed, and the history of past committees were reviewed. The topic for the committee meeting will be the nomination and voting processes. The proposed committee would be active members and a good mix of diverse members. The member Ad Hoc Committee will be provided a scope and is expected to be finished by the end of September. Director Behrens asked for additional members to be added from District 3 for more representation from his district.

**Director Draper made a motion to approve the new Ad Hoc Committee Member list. Director Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### NRECA VOTING DELEGATE AND ALTERNATE FOR REGION 7 & 9

**Director Crowther made a motion for CEO Case to be voting delegate and VP Robson to be alternate at the Regional NRECA Meeting. Director Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

President Schmier explained the registration for NRECA Region 7 & 9 District meetings, Fall River typically sends 2 to 3 Board members so please let him know.

#### KEY RATIO TREND ANALYSIS – PREVIEW

CEO Case reported that Eric Anderson will be our new CFC representative and he will address the Board next month. Mr. Case then explained the Key Ratio Trend Analysis (KRTA) ratios compare Fall River to approximately 900 other Cooperatives. CEO Case discussed the major differences in Fall River's unique situations which include; FR has 40% of its residential meters and 28% of its commercial accounts are seasonal or extremely low users of energy; the Cooperative's rugged, rural terrain; FR also owns 205 miles of transmission, 25 substations and 4 hydroelectric facilities which most distribution Cooperatives don't own any of those assets; and other factors. CFO Barney explained the

Cooperative is trending higher on growth in new services. He also noted the Cooperative will see another group of retirements coming up and therefore the Cooperative is investing in recent hires of new employees in anticipation of the vacancies coming up.

CEO Case discussed the value of being able to compare Fall River's operational performance with 900 other electric Cooperatives provides a real advantage in assessing the strengths and weaknesses of a Cooperative. As the KRTA will show, Fall River is making excellent progress in most categories.

CEO Case and CFO Linden Barney reviewed several industry ratios and discussed how Fall River's staff and operations compares to the industry.

#### PROPANE QUARTERLY UPDATE –

CEO Case reported on the Propane strategic planning meeting that was held last month. Dede Draper is the new Board Liaison with the Propane Board. Propane is doing well as they have sold 242k gallons of propane in excess of budget expectations. Gross margins are on track and their net income is ahead of budget. Overall Propane is doing very well. Staff is cautiously optimistic about year-end projections and reminded us that weather will be the determining factor this fall. An average Fall will be good for business. Propane's expansion into Wyoming is meeting expectations knowing it will take some time to build the business. To-date, Propane has a loss for its Wyoming operations but is within forecasted expectation.

CEO Case discussed the immediate benefit to the members of the electric Cooperative in shared services with Propane, which currently is \$190k, which offsets the electric costs. In the Legacy area (Idaho and Montana), Fall River Propane is recognized as the "go to" propane company. We are building the name recognition in our new Wyoming service territory and with the steady growth in new customers, the campaign appears to be working. Fall River Electric benefits by helping propane in several ways. First is the financial benefit with shared services and as Propane generates net margins and grows in value, our electric members own Propane and therefore get the benefit. Second, we have 8 competitors in the propane space and Fall River Propane has to compete for the business. All of the electric staff get exposed to competition and are learning to make the soft sell and to be prepared to discuss why Fall River Propane is better. The market share survey shows Fall River is doing very well in this area.

#### PRELIMINARY DISCUSSION ON COST OF SERVICE AND RETAIL RATES

CEO Case said this is a "primer" discussion on retail rates which will occur in September. The Cooperative's initial look at our ten-year financial forecast and Cost of Service Analysis show the Cooperative is doing well in managing costs as the number of members continues to grow. Even though BPA's costs are going up for power and transmission, the Cooperative has rebuilt its financial strength which gives us some flexibility in setting retail rates. The initial analysis shows the Cooperative may not need to raise rates. Staff did identify a few items to consider which include building the Cooperative's equity ratio and concern about economic signals and pressures which are indicating a possible recession or economic slowdown. Other suggestions are to consider changing the name of the Line and System Maintenance Fee to an Access Charge and a discussion on rate equality between rate classes with a target to be within + or - 10%. All rate classes are currently within this established target range. CEO Case suggested there may be some minor changes that could be done to make all of the rate classes closer in equity. CEO

Case also suggested it may be time to evaluate the Line and System Maintenance Fee and make a small incremental adjustment upward which would reduce the kWh charge.

The consultant Fall River hires to conduct rate studies, EES, will be at the Cooperative's September Board meeting to provide a review on the COSA and Fall River Management will provide recommendations for the Board to consider and discuss.

#### EXECUTIVE SESSION

**Vice President Robson made a motion to go into Executive Session at 2:00 pm.**

**Director Crowther seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

**Director Crowther made a motion to go out of Executive Session at 2:30 pm. Vice President Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### MANAGEMENT DISCUSSION

The second Quarterly Work Plan Progress Report and 2019 Goals was reported. It was noted that one of the measures with Propane will be on-hold because it has been decided that the Propane software program is insufficient for our needs. A new software package is being investigated. Internal audits will be held this fall. Re-licensing for Felt efforts are moving forward and we are ~~in~~ currently conducting water quality testing and fish studies. It appears the Cooperative will make around 80% of our goals if all goes well.

ICUA – Youth Rally was held July 9<sup>th</sup> – 13<sup>th</sup>. CEO Case reported that we had 3 students from Fall River that attended this year and Sheena Stricker was the chaperone. CEO Case and a few other speakers spoke to the 94-youth present at the ICUA youth rally. Fall River budgets and commits to take 5 youth and we will work on ways to get more youth in our service area interested in participating. Each youth that attends receives a \$500 scholarship from Fall River and could receive additional scholarships from ICUA.

SOLAR FOR SCHOOLS UPDATE - CEO Case reported Fall River has accomplished what we set out to do which was to secure funding for schools to install a distributed energy demonstration with curriculum to help students learn about distributed generation. However, the schools asked for help in the project management and Fall River agreed. The schools all chose Bozeman Green Build as the vendor to do the installation. CEO Case is disappointed in the contractor and their lack of communication. Bozeman Greenbuild mentioned to Mr. Case that the wind supplier gave notice they were going bankrupt a few months after Bozeman had purchased the wind turbines and could be part of the reason the contractor has been unresponsive. However, Fall River staff is working with the schools and the contractor to keep the project moving forward. Fall River will see the project through, even though we aren't responsible and are just stepping in to help.

#### HYDRO FACILITIES UPDATE – Reference Management Report

- Island Park – Is having a good year with plentiful water. Currently, the plant in having difficulties maintaining the dissolved oxygen (DO) requirements and is spilling water to keep the DO to desired levels. The plant is down one blower which is in for repairs. We have been waiting for months for China and may have to make decisions on purchasing new.
- Buffalo – is running well and is also having a good year in productions.

- Felt – Is also having a good production year due to the available water. Water quality testing and fish studies are being conducted at the site.
- Chester Update – The plant registered another record for production last month.

CEO Case announced that NRU CEO selection was– John Francisco. NRU is a Power Pool supplier option like PNGC.

**VP Robson made a motion to authorize the new signature card Resolution for Bank of Idaho. Director Draper seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### REPORTS

Finance Committee Meeting will be held August 19<sup>th</sup> to review the COSA.

Policy Committee met this morning and Director Draper reported that we will now meet quarterly. The next Policy Committee meeting is scheduled for October 28<sup>th</sup>.

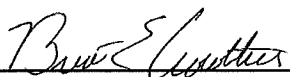
#### CALENDAR

A photographer will be here on August 26<sup>th</sup> to take Board portraits. The Board meeting on August 26<sup>th</sup>-27<sup>th</sup> will be our annual Strategic Planning Meeting.

#### ADJOURNMENT

There being no further business, **Vice President Robson moved that the meeting be adjourned. Director Stiehl seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 3:00 p.m.

DATE APPROVED: August 26, 2019

  
Secretary Brent Crowther