

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

August 26 and 27, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday and Tuesday, August 26th and 27th, 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 9:00 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Director Jeffrey Keay. The Pledge of Allegiance was recited.

A photographer was present to take new Director group pictures.

ATTENDING OFFICERS

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

DIRECTORS PRESENT

Dede Draper, Jeff Keay, Jodi Stiehl, Georg Behrens, and Anna Lindstedt

DIRECTORS ABSENT

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, CFO Linden Barney, Manager of Member Services Sheena Stricker, Manager of Operations Trent Yancey, IT Manager Shannon Hill, Eric Anderson of CFC, Henry Cano and Paul Breakman of NRECA, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

Director Hanson made a motion to approve the Agenda as presented. V.P. Robson 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 presented. V.P. 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 July 22nd, 2019 Board Minutes as corrected. V.P. Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

V.P. Robson made a motion to approve the Consent Agenda. Director Hanson seconded the motion which included, new memberships, purchase of power agreements, check register, safety report, and discounted patronage capital refunds report. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE REPORTS

DR. WELSH KINTAMA – IDAHO SALMON PRESENTATION: CEO Case said the report basically showed we could spend millions of more dollars (consumers have already spent billions) on salmon recovery and it won't make much more of a difference. Director Stiehl also noted that there are similar problems with the fish on the Atlantic as well, equating to the fact that the dams aren't the sole problem. The question of the BPA spill and barging was also discussed. Predation and environmental conditions in the ocean are major causes of mortality to the salmon.

MEMBER COMMENTS

A letter of appreciation for crews was presented, CEO Case said Fall River has great staff and he will share these types of accolades as they are received.

Director Keay reported on the meetings he attended recently.

Robson reported on the O&E Committee Meeting. He said it will be further discussed later in this meeting.

Director Hanson reported that they also had a Finance Committee meeting this month. The long-term financial plan will be presented to the Board in September.

Director Behrens said that he found out recently that Germany has purchased iodine tablets in the event of a nuclear accident. They determined that the effects would be farther reaching than earlier thought.

Director Stiehl said that Board Orientation was held in July. She is happy to be a Director and looks forward to working with the Board in the future.

CEO Case reported on the Ad Hoc Committee meeting which was held August 21st. He said they discussed the Nominating Committee and it was determined that the nominating process is fine the way it is. The committee discussed whether citizenship should be a disqualifier and members who have multiple meters be allowed to have more votes. It was decided that citizenship would not be a deterrent to become a Director, and a member only be allowed one vote, no matter how many meters they have. The Ad Hoc Committee did make the decision that the voting process should change. The Committee voted to advise that the Board consider changing the bylaws on the voting process to require that the winning candidate must receive at least 50% of the vote, or a runoff election would be held.

Director Keay asked why we would have another Ad Hoc Committee meeting when one was held 2 years ago? CEO Case said that the issue kept coming up, and it was determined that a change might be needed. Attorney Rigby said that the committee's recommendation would have to be approved by the Board of Directors and voted on by the full membership at annual meeting, the Board does not have to approve it. The committee members could take it directly to the membership if they chose.

President Schmier said that the previous meeting may have been skewed, as he is frugal and may have steered the committee against a run-off election because of the cost for an additional election. We are very conservative in spending members money. If the members want to do this and spend the money on another election, it is their prerogative.

FINANCIAL REPORTS JULY 31, 2019

The Cooperative has net margins of \$856K higher than the budget expectations. As has Board Minutes and Strategic Planning Minutes of August 26 & 27, 2019

been reported, this is a result of higher kWh sales mainly due to the cold wet spring. Labor and overhead costs are under budget by 84K. Long-term debt is being paid down and short-term cash reserves are being invested and interest expenses are lower by over 50k than expected. Notable variances are in the finance report. We are continuing to grow by over 2%. Overall, we are under budget by 6.7% on controllable costs. Director Behrens asked about the cash flow report and if Chester had an impact and it has.

The Capital Budget was discussed after President Schmier questioned the overages. CEO Case reported that using internal staff and spreading the projects out, had an impact on the costs, as has increases in expenses.

COOPERATIVE BUSINESS

ERIC ANDERSON, CFC – KRTA REVIEW

CEO Case said he is glad that Mr. Anderson was assigned to work with Fall River and that he is well acquainted with him. Mr. Anderson said that his territory is very diverse from oil fields and industrial areas to farms in MT, SD, WY, CO, and ID. He said he looks forward to getting to know Fall River better.

His presentation was given and the overall chart on kWh's sold was shown, overall in 2017 there was higher growth compared to 2018. When showing growth for Fall River Electric specifically, it shows that compared to the State, we are growing much faster than all, except one other Coop. After 45 years of compiling the KRTA, they have a lot of data. Idaho is experiencing positive growth and it shows we are growing by population and a are little lower on kWh sales. He feels that it is consistent. Director Keay noted that our growth is happening while distribution line miles is staying pretty flat, so we are essentially filling in on existing infrastructure. We are on an upward trend on members per mile and are on a lower trend for costs per member. Good for the bottom line.

The equity is improving during times of growth, which is difficult and that is very important to know that the Board is doing a phenomenal job. It was noted that if our equity was 100%, rates would have to increase by double, so we are in a good place.

Long-term interest costs were discussed, and the transmission and the hydro systems have had a large impact on that. We took over Felt which has been fully depreciated.

He said based on the numbers, he believes that Fall River has made significant investments in facilities and we are in a good position with the system.

LONG RANGE ENGINEERING PLAN

Chairman Brent Robson reported that the Engineering and Operations Committee met on August 14th. Discussion ensued regarding the upcoming needs for the long-range plan. CEO Case said that the biggest investment will be for the transmission system up north. The preferred method would be to have a tie to the North Montana line, but that would be difficult, so recommendations are to improve the 46kV line to a 115kV.

Director Hanson made a motion to accept the 10-year plan with the understanding that due to unknown future facts, details of the plan may be modified on a case by case basis and incorporated into the 4-year construction workplan and the annual budgets. The motion was seconded Director Keay seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

TEN YEAR FINANCIAL FORECAST

Will be presented in September.

CFC Voting Delegate

Jay Hanson made a motion for Director Jodi Stiehl to be voting Delegate for CFC and Jay Hanson to be alternate. V. P. Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MECA BOARD CERTIFICATION AND VOTING DELEGATE

V.P. Robson made a motion for Doug Schmier to be MECA Board representative and Jeff Keay to be alternate. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

V.P. Robson made a motion for Jeff Keay to be Voting Delegate for MECA and CEO Bryan Case to be alternate. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

POLICY REVIEW & UPDATES

Following discussion and questions on the policies, **Director Draper made a motion to approve the updates to General Policies *309 Allocation and Retirement of Patronage Capital, *420 Cooperative Purchase & Wheeling of Power & Energy, *421 Hazard Materials Communication Program, *423 System Integrity, Power Diversion, *425 Underground Facility Location, *306 Consumer Accounting Practices, *407 Meter Testing, *505 Assistance to Area Development Organizations, *610 Employee Director Purchasing, *507 Energy Conservation, and *602 Management Employee Relations. V.P. Robson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

BONNEVILLE POWER ADMINISTRATION

RATE IMPACT TO FALL RIVER

The official statement from BPA is that there is no increase, but there actually is, with a 1.5% increase for financial reserves and a 3% increase for transmission rates. CEO Case just wanted the Board to understand that zero doesn't always mean zero.

BPA TAKING COMMENTS ON MOVING FORWARD PARTICIPATION IN EIM

They believe they can save \$40M by participation, the main concern is governance. Power rights preference is also a concern for balance though policies are in place to represent the Northwest. Fish and wildlife may have lower investments.

FINALIZATION OF ALLOCATION ERRORS RELATED TO RESERVES BETWEEN POWER AND TRANSMISSION

BPA REVENUE AND COST GRAPHICS

It was interesting to see, in a graphical view, where the money comes from and where it goes.

2020 FALL RIVER PROPOSED CALENDAR

Director Hanson moved to add strategic planning to August 25th and December's meeting being moved to the 21st and to accept the 2020 calendar as amended. Director Keay seconded the motion. HEARING NO OBJECTIONS THE MOTION PASSED.

EXECUTIVE SESSION

Vice President Robson made a motion to go into Executive Session at 10:50 a.m.

Director Hanson 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 11:00 a.m.

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

MANAGEMENT DISCUSSION

IT Manager Shannon Hill reported on Fiber and discussed the new contract with Direct Communication. We are providing backbone and are in the business as we lease out our dark fiber that was primarily installed to connect our substations.

CEO Case reported that there is still a very good opportunity for funding for EV level 3 charging stations from the Volkswagen settlement funds. He thinks it will be a 100% grant for Idaho. In West Yellowstone there is a different pool of money available. Director Keay asked about the load problems and CEO Case reported that the City of Driggs has the infrastructure to handle the erratic loads. He also asked the Board to consider a level 2 charging station near our facility.

Mr. Case reported that the Solar for Schools project has fallen back on Fall River. The contractor had difficulty as his supplier for wind turbines went bankrupt. The Idaho licensing requirements also changed, and he was not qualified to operate in Idaho. Brent Gamett, Nick Watson, and Trent Yancey are working to finish the project. Mr. Yancey said that the wind turbines will be stood up soon and the display modules have been ordered. Shannon Hill is working to provide a link on the website similar to what Fall River currently has. The curriculum has also been ordered. The purpose of the project is to have an educational element, teaching students about distributive generation. CEO Case gave high kudos to staff.

HYDRO FACILITIES UPDATE

CEO Case said we have a great water year this year and hopefully will continue on. The full reports are in the Board Packet.

- Island Park – We are running at a reduced generation rate due to poor D.O. levels. In October we will be able to run at the reduced requirement according to the FERC DO agreement.
- Buffalo – Running steady and strong.
- Felt – Still working on the fish studies and site studies for relicensing efforts.
- Chester – the moss has started coming down the river and the rake is holding its own.

REPORTS

Attorney Rigby reported on the Bureau of Reclamation easements on Island Park Reservoir. The easements have not been recorded on County maps and cabin owners have been building in the easements. There is a better line of determination by using lidar and clearly 4 feet would inundate most of the cabins built on the shores of the Island Park reservoirs. Discussion on the costs of increasing storage was held. The water board will have to make that determination.

Member Services Manager Sheena Stricker reported that they have been busy streamlining and updating processes. They have done away with recording agreements on existing locations if members move and connect to an existing service, and only record brand new services. E-Bill has been readdressed, and revamping / creating joint membership agreements, Easy Pay, the prepay

meter program is being reviewed. She said that the benefit of Prepay is that a member doesn't have to pay the security deposit if they sign up for the program. They are working to provide this in Spanish. There is a levelized payment acknowledgement to be done. The forms including Purchase of Power Agreements in SEDC are being updated.

Propane has been working on their billing for services project. Member Services has been instrumental in the improvements.

We have joined Touchstone in order to do the Member Survey and we are trying to capture other benefits of those membership dues.

IT Manager Shannon Hill reported on a problem with the internet a couple of weeks ago and how we need to focus on backup services in case of a disaster. An outage lasting just a few hours is a major issue here at the office. He is still working towards getting all the substations connected with fiber.

Operations Manager Trent Yancey reported that new services have been robust. We have done most of the site-specific jobs and he feels we won't have to carry any over to next year. The Marker Ball job will be done by our contractors this fall. He said we will have to shut down the Felt Hydro to do the installation.

The crews are doing a lot of replacement of deteriorating underground lines. Tree trimming is going well, and the crew will be moving north in a week. We contracted with the Forest Service to spray the ROW. We have two sections from Targhee Pass to Shot Gun that will be done. Pole testing will commence in October.

Linden Barney said they have finished with the cost of service analysis. His Accountants are working on budgets and will be meeting with staff to hammer out the final details.

The September Board meeting, the Directors will be faced with the Chester Hydro options.

Director Hanson recommended that staff use his electronic signature for the welcome letters.

STRATEGIC PLANNING SESSION

CEO Case introduced Henry Cano and Paul Breakman of NRECA, he said they are NRECA's finest. Bryan explained that we will be reviewing our vision for the future and to strategize the direction to get there. The outcome is expected to be a viable strategic plan. Mr. Cano said the thrill of working with all of the systems with their strategic planning is the good people who care so deeply for our Cooperatives.

The agenda was reviewed as were the results expected. He hopes to think through the issues and implications to strategize a successful vision. The ground rules were outlined, and he asked that everyone be candid and honest.

He recommended prioritizing and focusing on no more than 8 items. They should be measurable, and time bound. He said that planning for the future is about change. The purpose is to set a new direction and take it up a notch to do better than we would without the strategic plan.

STRATEGIC PLANNING SURVEY RESULTS

The results of the Board and Management Survey were reviewed and Henry confirmed that the value drivers are:

1. Reliability
2. Price
3. Service Excellence (Options, quality, response, solve my problem)

4. Financially Strong
5. Good Governance.
6. Safety
7. Care for the Environment and talking about it.

EXTERNAL PERSPECTIVE (BIG PICTURE TRENDS)

Paul Breakman highlighted the relevant trends and impacts. He cautioned everyone to be mindful of the trends. He recently visited an Indian Reservation (NTUA) where they are just now working on getting electrical services to the final 15,000 folks who **have no power**. There are people, in this day and age, who still don't have electric service! Mr. Breakman talked about the energy cloud platform and talked about the past and what's coming in the future. The smart home business is huge. There are great possibilities for the data to be utilized. Some drivers identified are:

- Distributed generation. People want choice, control, convenience, and cost is important.
- Battery technology- costs are coming down.
- Electric Vehicles – Are a win. Makes better use of existing grid, please consumers, cutting costs, reduce environmental impact. There was discussion on having an EV for Fall River use.
- Shifts in power supply is a concern
- Evolving regulatory landscape is also a concern
- Cyber Security
- Data availability – understanding, mining, and using
- Changes are coming

MEMBERS' PERSPECTIVE (WHAT OUR CONSUMER MEMBERS ARE SAYING)

CEO Case reported on the results of the membership national survey. He emphasized the fact that Fall River has an ACSI score of 85% for member satisfaction, which is very, very good. We still need to work on education and making sure that members know that they are members and not customers. Communication is proving to be difficult at times. Director Lindstedt mentioned that targeted education is important. A discussion of changing demographics was held. Most felt that the opinions are changing with a lot of new folks moving in.

Mr. Rigby asked if he has seen an effective way to engage young members. CEO Case said Fall River is working to have a forum to identify what is important. A Young Adult Member Initiative (YAMI) program for NRECA identifies the age bracket to be between 18 to 45 years old.

CEO Case presented the performance scorecard for the survey. Mr. Cano said he sees a lot of surveys and that 85% ACSI score is very impressive.

In discussing reliability, Mr. Cano said that members see all outages not just the controllable ones. They see the extreme storm, planned, and power supplier outages and they don't care what the cause is, they do care about reliability. It was also noted that Fall River has a high number of seasonal residential & commercial services.

Henry recapped day's activities and noted actions to think about overnight. He would like everyone to share their thoughts tomorrow.

THE MEETING RECESSED AT 5:30 P.M.

The Strategic Planning meeting was reconvened at 8:30 a.m. on Tuesday, August 27th.

Mr. Cano welcomed everyone back and held a quick warmup.

He led a team-building activity, reviewed the day's agenda and the prior day's results. He then

asked to identify what we think members want, the results:

- Reliability – Keeping the lights on
- Price – Lower prices
- Service Excellence – Be responsive to needs and friendly staff
- Financially strong – Don't waste money
- Safety – Keep us safe, both community and staff
- Care for where we live – Don't be wasteful and do good

MISSION AND VISION REVIEW

Activity to assess and confirm mission

Fall River Rural Electric Cooperative is committed to safely and economically provide reliable energy and other services to bring value to its membership.


STRATEGIC PLAN – ROLES AND NEXT STEPS

Management's role and the Board's roles were discussed. A detailed strategic plan will be compiled and a plan for measuring performance will be followed and presented to the Board quarterly.

ADJOURNMENT

There being no further business, **the meeting was adjourned at 4:30 p.m.**

DATE APPROVED: September 30, 2019


Secretary Brent Crowther