

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

September 19, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, September 19, 2016, at the main office of Fall River Rural Electric in Ashton, Idaho. Determining a quorum was present, President Doug Schmier called the meeting to order at 10:00 a.m. Executive Assistant Cathy Meeks recorded the minutes. The invocation was given by Boyd Bowles.

ATTENDING
OFFICERS

President Doug Schmier, Vice-President Debbie Smith, Secretary/Treasurer Dede Draper, and Immediate Past President Jay Hanson

DIRECTORS
PRESENT

Boyd Bowles, Brent Robson, Dan Skene, Ralph Burton and Ron Dye

DIRECTORS
ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, and CFO Linden Barney

Also attending, Attorney Jerry Rigby

APPROVAL OF
AGENDA

Jay Hanson made a motion to approve the Agenda as adjusted. 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

MINUTES OF JULY 25, 2016 BOARD MEETING

Following a review of the minutes for August 22, 2016, Jay made a motion to approve the minutes. Debbie Smith seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

After review, Jay Hanson made a motion to approve the consent agenda. Boyd Bowles seconded the motion, which included the memberships, purchase of power agreements, check report, vouchers, safety report, and capital credit report. Following discussion and hearing no objections; THE MOTION CARRIED BY UNANIMOUS CONSENT.

MEMBER COMMENT

Boyd Bowles received an email from a member inquiring about a special rate for seniors on medical disability. Following some discussion, the consensus of the Board was to keep the rate structure as it is and to refer members to the Helping Hands program or other energy assistance programs like LEAP.

GM Case reviewed the emails received to date regarding Miller's Pond. Directors in the area of Millers Pond were cc'd on the responses. The recent article in the paper on the matter was discussed. GM Case reported donations are coming in with funds collected at 46%. The Board discussed allowing members to pledge their patronage capital to be retired in December 2017 to the Miller's Pond Project and agreed to allow members that option. Staff will move forward and will make members aware of the option and will create a form to pledge December 2017 patronage capital.

GM Case reported on the recent outage that affected Robin Roost, in Island Park. Staff met with the store owner, reviewed outages at that location over the past few years, demonstrated how reliable the Cooperatives system is, and set plans in place to help Robins Roost and several other surrounding members. Half of the outages were beyond Fall River's control and were due to dig-ins, lighting strikes, and transmission provider outages.

Ron Dye reported on a conversation he had with a member regarding a new service estimate to put power in. GM Case also reported on the thank you to the staff at Fall River for their good work and it was included in the board packet.

FINANCIAL AND STATISTICAL REPORTS

AUGUST 31, 2016 FINANCIAL REPORTS –

Staff reviewed the financial report, which is consistent with where they have been in the recent months. YTD margins are exceeding budgeted expectations by 20% or \$437,825. The driving factors include labor & overhead below budget due to the number of new services being requested. Therefore, more labor is being allocated to capital projects. PRC is following a strategic plan to sell off assets and reduce risk with a coal fire plant, a

renewable landfill gas plant, transmission line, and property. FRREC accrued estimated costs for winding down those assets and we underestimated those expenses. FRREC recognized the additional expense on the PRC investment in September's financials. Clarification was given on the Victor and Pine Creek capital projects. GM Case gave explanation on cost for underground replacement, along with sub-divisions.

KRTA – THE DEEPER DIVE

GM Case presented the power point provided in the Board Packet, reviewing and discussing the Cooperative benchmark trends. Fall River has seen positive trends in several benchmarks and are leaders in several categories. Significant improvement has been seen in the equity ratio which has increased from a low of 26% equity to over 36% equity. Long-term debt has also been substantially reduced from a high of \$75.6M to \$70.9M. Fall River's residential, commercial, and irrigation retail rates remain very competitive within Idaho and the industry. Total controllable expenses per consumer are significantly lower than the medians of all other benchmark groups. The Cooperative has also seen significant improvements in our employee efficiencies with the number of consumers per employee rising to 345 consumers on average to each employee. System line losses have steadily decreased which reduces the cost to operate the system. FRREC has higher plant investment compared to other electric cooperatives due to our ownership of 221 miles of transmission lines and 4 hydroelectric generation plants. Fall River's commitment to our members shows in the consistent retirement of Patronage Capital on 20 year cycle.

Clarification was given on some of the capital projects and contractors. Staff is able to keep up right now with the workload, but staffing is considered lean with the report showing FRREC level of staff per consumer. The report also shows the benefit of being on a hydro system. Clarification was given on new rates as well as delinquent accounts and the progress that has been made.

CAPITAL EXPENDITURES/INVESTMENTS

GM Case reviewed the graph showing the Chester hydroelectric investment and cleaning rake development from 2007 thru 2011 and provided clarification.

2017 BOARD BUDGET PREVIEW

The draft board budget was presented and discussed with the board. If the board moves forward with consolidation, the budget would need to be adjusted. Clarification was given on a few of the line items.

PROPOSED 2016 PATRONAGE CAPITAL RETIREMENT

GM Case reviewed the 2016 patronage capital retirement payout for December 2016. Staff gave additional clarification on leveling the payout. **Ralph Burton made a motion to approve staff's recommendation and the pay-out in the amounts set forth. Jay Hanson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

ANNUAL GENERAL POLICY REVIEW

GP 102 Directors Duties, Responsibilities, Standards of Conduct, and Professional Development, GP 605 Whistleblower Policy, GP 623 Sexual Harassment, GP 625 Anti-Harassment. Attorney Jerry Rigby reviewed General Policies 102, 605, 623 and 625, highlighting some of the areas that are key issues. Attorney Rigby stressed the importance of adhering to the policies. The question was raised if the policies apply to 3rd party contractors. Clarification was given.

CONSOLIDATION DISCUSSIONS

Discussed in Executive Session

WYOMING PSC – FALL RIVER RULES AND REGULATIONS RE-WRITE

GM Case explained the process that staff went through to update the Rules and Regulations for Wyoming PSC. FRREC will need to update two policies- the meter testing policy and the delinquent account collection policy for our Wyoming members. Staff reviewed the tariff book that will be sent to the Wyoming PSC; information from FRREC General Policies was used to complete the updated Wyoming Rules and Regulations. The collection policy section has specific requirements on shut-offs, which FRREC already has in place. Once submitted, the WYPSC will ask for clarifications if needed, go through a public hearing process and then will approve Fall River's application if we have satisfactorily complied with Wyoming's regulations. Staff provided clarification to the board where needed.

Boyd Bowles made a motion to approve submitting the documents to Wyoming PSC. Jay Hanson seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

HYDRO OPERATIONS UPDATE

ISLAND PARK –

Staff reported Island Park hydro was not operating due to lack of water. On September 10th, the Island Park hydro lost syphon due to low water in the reservoir. It is expected that the plant will start generating in April of 2017 as the reservoir refills and flows out and will be sufficient to sustain generation. Staff also reported that with the testing results, the dissolved oxygen (DO) graph shows the natural level of DO with water flowing through the Bureau of Reclamation gates at Island Park is below the 7.0 level set by FERC. Staff will request Fish & Game and Henry's Fork to reconsider reducing the required DO level required when the plant is operating to be similar to DO levels when the water is flowing through the gates. Once we can develop a period of DO levels, then staff can discuss a lower DO requirement if the data proves it should be lower. With the water levels being low, the testing of the blowers cannot be done until the plant is brought back on line.

CHESTER –

GM Case gave an update, reporting the Chester plant is generating more than it previously has and that the trash rake is working fine. There has been some heavy moss lately and the rake seems to be handling the additional moss.

BUFFALO –

The Buffalo hydro is off line until the rake is repaired and re-installed.

ANNUAL MEETING ANALYSIS –

GM Case reviewed the Annual Meeting Analysis giving clarification where needed. The number of members attending has increased over the years, as well as the number of members voting. When held in Driggs, the numbers are a little lower in attendance, but those attending are members that may not attend when held in Ashton.

PNGC BOARD SUMMARY REPORT –

A summary report was included in the board packet. CFO Linden Barney attended in GM Case's place, due to a conflict with the Combined Consolidation Board Meeting on September 7.

DONATIONS – NRECA INTERNATIONAL FOUNDATION

GM Case reported that FRREC has donated in the past to the International Foundation, but has not participated in that for some time now. No change in direction given.

BOARD PRESIDENT COMPENSATION – RALPH BURTON

Rescheduled to the October Board Meeting.

EXECUTIVE SESSION

Dan Skene made a motion to go into Executive Session. Brent Robson seconded.

A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Ralph Burton made a motion to go out of executive session. Boyd Bowles seconded.

A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FOR INFORMATION PURPOSES –

FACE BOOK POSTS –

Included in the Board Packet. Not all post were regarding electric, some were on the fires in the local areas and information on the High School sports in FRREC service territory.

HOOPER SPRINGS TRANSMISSION SUPPORT –

Letter received back from Governor Otter in response to the letter FRREC previously sent pertaining to system reliability in SE Idaho and our support for the Hooper Springs line.

MILLER'S POND MOU –

The MOU with the Northern Rockies Conservation Cooperative for Miller's Pond was reviewed and Attorney Jerry Rigby added a letter to the MOU stating FRREC is not legally responsible.

REPORTS

No Committee Reports given.

Budget Committee and Policy Committee will reconvene in October.

Update was given on activities at ICUA. Jo Elg will now represent Idaho on the PPC board, Annie Terrianco, the CEO at Northern Lights, will be doing the ICUA books instead of Ron Osterhout, and Nancy Winters volunteered to prepare the minutes.

MANAGEMENT REPORT:

GM Case gave a summary of the management report which was included in the board packet. Some discussion took place on the Thornton interchange and what impact it might have on FRREC.

President Schmier reviewed the calendar of events, highlighting meeting dates that board members would need to attend. December 9th is the Annual FRREC Christmas Party.

ADJOURNMENT

There being no further business, **Brent Robson moved that the meeting be adjourned. Jay Hanson seconded.** By consensus, the meeting was adjourned at 3:42 p.m.

DATE APPROVED: ____October 31, 2016____


Secretary, Dede Draper