

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

September 30, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday September 30th, 2019, 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 10:00 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by President Schmier. The Pledge of Allegiance was recited.

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, and Georg Behrens

DIRECTORS ABSENT

Anna Lindstedt

OTHERS

CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, CFO Linden Barney, Engineering Manager Dave Peterson, EES Consulting Gail Tabone, Conservation Specialist Jan Dean, Lineman Hank Mackert, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

Director Hanson made a motion to approve the Agenda as presented. Director Behrens 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 August 26&27th, 2019 Board Minutes as corrected. V.P. Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

Director Hanson made a motion to approve the Consent Agenda. Director Keay seconded the motion which included, new memberships, purchase of power agreements, check register, safety report, and discounted patronage capital refunds report. *Discussion was held regarding the amount of the \$75K guideline for patronage capital early retirements.* A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE REPORTS

Director Keay reported that he attended the Regional 7 & 9 meetings and took a class for helping Directors make better board decisions. He said that there was a discussion on how biases affect board decisions. He also submitted a report from his director training and asked if his report could be discussed at an upcoming Board meeting. Next week he and President Schmier will attend the MECA Annual meeting.

Director Hanson reported that he attended the CFC and NRECA District meetings. The Nominating Committee was approved for the State managers. He said he enjoyed the meetings.

Director Behrens said he attended the ICUA Board meeting and the main point of discussion was BPA's commitment to provide transmission to Idaho and a discussion of options which included Boardman to Hemmingway, Gateway West, and assets swaps. Fiber easements were discussed as were ROW maintenance and fire risk challenges. Idaho's Salmon Task Force Committee was discussed along with BPA fish discussions were also held.

Director Robson said that he attended the very good dinner that Jay Hanson hosted at his home last weekend. It was very good food and excellent company!

Director Stiehl was appreciative for the opportunity to attend the District 7 & 9 meetings. She learned a lot about the industry and made some good contacts. She found it interesting that the Shell Corporation was in attendance and they are looking for Cooperatives that they can influence or takeover. She found it interesting and discussion ensued. She said she was also impressed with the meeting with Jim Matheson and the Rural Act, the effort to preserve Electric Cooperative's tax-exempt status. There is a large issue on losing nonprofit status if a Coop receives federal grant funds. The Cooperative must collect 85% of its revenue from members or we could lose our tax-exempt status. Mr. Matheson encouraged everyone to contact your representative to show support of the Rural Act.

Director Draper reported that she attended the Propane Board Meeting and they are very busy but doing well. The cooler weather will add to the workload, a good thing.

Director Crowther reported on some great hikes while he was hunting this fall.

President Schmier attended the NWPPA Board meeting. He is the chairman of the Government Relations Committee and there was legislation they were involved with in Montana that was recently approved. The NWPPA Board is dealing with change as the new CEO, Scott Corwin, gets to work. President Schmier attended a very good class at the NRECA Region 7 & 9 meeting and the pitfalls that can happen on a board. He said the breakout sessions were very interesting and he enjoyed the meeting with Jim Matheson as well. He was interested in the EV's and other Cooperative happenings. He really enjoyed the networking. He added that Jay Hanson's dinner was outstanding.

Attorney Jerry Rigby said that the salmon debate is raging, and Senator Simpson was the instigator of the discussion coming to the forefront. He emphasized that the low salmon runs are a direct result of poor ocean conditions. We in the West are trying to learn more about where the problems are and what can be done. This issue is front and center and is very important. He said another issue is they are going to the water court on resetting the reservoirs filling date. There is only one fill per year allowed and on what date is the major issue. The adjudication is done with the exception of the refill date.

CEO Case said that the discussion on members needs and communication issues at the

District 7 & 9 meeting were good. He had a meeting with BPA Administrator and several utility managers while he was at the PPC meeting. That meeting was focused on preliminary options considered in Columbia River EIS. The information on proposed EIS findings will be available for public comment soon. BPA and others have considered all impacts including fish, irrigation, barging and commerce, flood control, impacts of alternate generation and increased carbon, fish hatcheries, flood control and impacted economies. He said that fish and wildlife are not the only issue that they will use in making decisions to breach dams. The money set aside for the fish studies is sufficient. Many point to carbon as the cause of the declining ocean conditions.

Elliot Mainzer also called to share that BPA is taking formal steps to participate in the Energy Imbalance Markets with the CAISO. This is a big step for BPA and is estimated to result in savings \$45M per year.

MEMBER COMMENTS

There were a few thank you's for restoring outages, nothing significant to report this month. Jodi Stiehl reported that there was a member who was upset after a fire, due to birds causing an outage. This time of year is bad for birds flocking and taking off slapping the lines together. This can create sparks which can easily start a fire. Montana has also experienced heavy snow loading and tree outages this weekend due to record amounts of snow.

FINANCIAL REPORTS AUGUST 31, 2019

CFO Barney reported that the Cooperative has net margins of \$915K higher than the budget expectations. Labor and overhead costs are under budget by 2%. There are timing issues on computer purchases and the Patronage Capital for CFC was booked ahead, by a month, of when expected. Long-term debt is being paid down. Notable variances are in the finance report. We are continuing to grow by over 2.4%. We are seeing a large number of new services being installed. We had to purchase more new meters than planned to cover the material needs.

The Capital Budget shows we have spent 78% of what we expected so far this year. Site specific plans yet to be done were discussed.

REVIEW AND APPROVAL OF THE 990 FEDERAL TAX FORM

Discussion on the Federal Tax Form 990 was held. Directors were encouraged to accurately record their hours when doing Cooperative work.

Director Hanson made a motion to accept and approve the Federal Tax Form 990 as presented. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

TEN YEAR FINANCIAL PLAN

CEO Case reported that as staff have analyzed the work plans and budgets and how they all line up with this long-range plan, it makes the team confident that it is accurate and timely. CFO Barney presented the key ratios and assumptions included in the 10 year financial forecast. Discussion on whether Fall River can absorb rate increases was held. It was noted that our margins are positioned to be lower, but our debt is being paid down and we are seeing positive growth rates, which helps offset the lower margin forecasts. Positive growth rates will spread out fixed expenses. While we are concerned about a

possible recession, the 10-year financial forecast did not include the potential of a recession as there are mixed signals in the market. Director Keay asked if this plan was conservative or aggressive and CEO Case said staff presents forecasts that are conservative.

Director Hanson made a motion to accept and approve the long-term ten-year Financial Plan as presented. Director Behrens seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COST OF SERVICE ANALYSIS (COSA) REPORT – GAIL TABONE, SENIOR ASSOCIATE – EES CONSULTING

Mrs. Tabone was introduced and took the floor. She has worked with EES for 30 years. She said she has worked for Fall River in the past. Tabone discussed EES work on COSA and rate proposals for utilities in multiple states and have presented and worked with Public Service Commissions.

Mrs. Tabone described the rate information and stated the importance of being reasonable, fair, and equitable when setting rates. Revenue stability is important for both members and the utility. She broke the revenue requirements down and the importance of functionalization, classification, and allocation. We must look at BPA and PNGC rates in power supply costs and our revenue needs. She said it is important to keep an eye on our rates and COSA. The surpluses will begin to be depleted in about 2024 with the current rates structure. Rate stability is important, and she said it isn't a good idea to lower rates one year then raise them the next.

The COSA method of analyzing peak coincidental load each month. The costs of meeting those loads need to be covered. There are two methods, minimum system or 100% demand. They use both and come within a +/- 10% range so that members are meeting their share of the costs. CEO Case said that Fall River uses the minimum system method. We have focused on disparity between classes and it was noted that weather does have a major impact on volatility. Mrs. Tabone feels that there is not a disparity and all Fall River rate classes are structured fairly.

The question of demand was asked about individual non-coincidental peak vs. coincidental over all peak. When talking about demand billing we are talking about individual demand. It is beginning to be a trend for doing a residential demand billing style. She said that if you had a problem with meeting high load demands, you may want to look at demand billing.

EES and Fall River management's recommendation is to change the name of the Line and System Maintenance fee to Access Fee for simplicity, and to raise the Access Fee to \$39 and lower kWh rates to 7.152 cents under 2000 kWh and 8.441 cents over 2000 kWh cents. Discussing Fall River's need to implement a residential demand bill was held. Director Behrens summed it up, that we basically don't win the argument that we have to do residential demand billing to pay for it, because the costs for Fall River is minimal.

In raising the Access charge slightly, the Cooperative is collecting more of its fixed costs. Strategically we are trying to become financially strong as part of our strategic plan. This will help ensure that all members are paying more of the fixed costs associated with the service they receive from Fall River.

In order to deal with Net Metering inequities, it was recommended by EES and management to change the net metering tariff to reconcile and pay for excess generation

on a monthly basis compared to paying for excess generation annually. This will result in less subsidization from other members without distributed generation. The proposed change will also create less incentive to subsidize oversized solar facilities.

The recommended rate for Small General Services is to raise the Access Fee to \$39 on the and to lower the kWh fee from 5.823 cents to 5.284 cents per kWh. The demand fee will remain 8.57 per kW, which would be revenue neutral.

RATE DISCUSSION AND PROPOSED STRUCTURE – STAFF RECOMMENDATION

CEO Case discussed the changing demographics for Fall River residential and small commercial loads with cabin rentals, especially in Island Park, it was mentioned that there are a lot of cabins being rented through Air B&B now and seasonal users are using a lot more power than in the past. In going through the presentation, it was mentioned that Fall River does have some challenges such as low density and difficult terrain. A demand rate would be more of a challenge than it would be a benefit. One of the cons to implement a demand charge is, it is hard to understand and to explain. Members would not like it, especially with a ratchet demand rate and the fact that it is difficult to control.

Director Hanson made a motion to follow the recommendations of EES and Staff to change the name of the Line and System Maintenance fee to Access Fee.

To restructure the Residential Rate by raising the Access Fee from \$36 to \$39 and lower kWh rates from 7.427 to 7.152 cents under 2000 kWh, and from 8.765 to 8.441 cents over 2000 kWh.

To restructure the Small General Service Fee by raising the Access Fee from \$38 to \$39 and lower the kWh charge from 5.823 cents to 5.284 cents per kWh. The demand fee will remain 8.57 per kW, which would be a neutral revenue rate change in both classes. Director Behrens seconded the motion.

Following discussion, Director Behrens asked for a wider divide between the higher kWh charges and lower for under 2,000 kWh use to encourage conservation. No action was made to change the original motion.

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

Director Behrens then made a motion to change the Net Metering Policy to reconcile and payout monthly on surplus generation instead of annually. The Motion was seconded by Director Keay A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

DRAFT TARIFF SHEETS WITH RECOMMENDATIONS

Will be updated pursuant to the approved rate change.

FINAL DRAFT STRATEGIC GOALS/VISION

There were no changes suggested.

STRATEGIC PLANNING SUMMARY

The Board with Management will plan to meet again in 3 years to review Fall River's strategic plan but will continue to have strategic discussions on a monthly basis and will take time annually to review and see if changes need to be made.

BOARD 2020 BUDGET DISCUSSION

The Finance Committee will hold the annual budget meeting on October 16th. There were no comments or concerns on the proposed Board budget.

ELECTRONIC BOARD PACKET OPTIONS

Following discussion, it was determined that using Adobe Acrobat is fine and works well for the Directors.

NG STUDY UPDATE? LAST REVIEWED IN 2015.

Discussion will be forwarded to next month.

AD HOC COMMITTEE MEETING 8/21/19 MINUTES - BYLAW CHANGE RECOMMENDATION

Discussion will be forwarded to next month.

RECOGNITION OF EDUCATION

Jeffery Keay – NRECA Credentialed Cooperative Director (CCD)

Brent “Husk” Crowther – NRECA Credentialed Cooperative Director (CCD)

Georg Behrens – NRECA Board Leadership

BPA

Articles included with the Board Packet were: Greenwire E&E News Article “BPA Going Broke”, the response letter by Elliot Mainzer and a BPA Response Article

FELT LAND PURCHASE

The Board had previously authorized CEO Case to negotiate the purchase of property in Felt and he was able to agree on \$5,000 for the small lot. The property is next door to Fall River property where we have a storage shed.

LINEMAN SCHOLARSHIP APPLICATION – SPENSER THOMPSON

V.P. Robson made the motion to approve the Lineman Scholarship Application for Spenser Thompson. Director Stiehl seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXECUTIVE SESSION

Vice President Robson made a motion to go into Executive Session at 2:35 p.m.

Director Crowther 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 3:45 p.m.

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

MANAGEMENT DISCUSSION

CONSERVATION DISCUSSION – JAN DEAN

Mrs. Dean took the floor and presented the Board with information on the benefits of the conservation program and explained where Fall River’s conservation program begins and how it is funded. BPA gives the guidelines for measures that she uses. Residential low-income members qualify and because we partner with EICAP, Fall River does not have to check financial information to be sure they meet the qualification. EICAP verifies the member qualification. The

main requirement is you must have a 100% electric heated home.

CEO Case said he was surprised that some of the members don't know about the programs available. He encouraged everyone to let members know of people doing a project to have them talk to Jan and there may be funds available. There are also funds available for the cities to use to update their facilities. CEO Case has visited with the Mayors and made them aware of the available resources.

CFC ADDITIONAL DISCOUNT DUE TO 40% EQUITY

First Time Ever for Fall River - \$50K per year.

HYDRO FACILITIES UPDATE

Island Park - Fully operational and meeting the DO requirements

Buffalo - Running well

Felt Hydro – Running well

Chester – Section 242 Appropriations have passed again ~\$90k

ACCOUNTS WRITTEN OFF AND TURN OVER TO COLLECTIONS

The report was included in the Board Packet.

CFC PATRONAGE CAPITAL RETIREMENT

Fall River Received a certificate for \$267K from CFC for Patronage Capital

CRC PATRONAGE CAPITAL RETIREMENT

CRC shows a balance of \$11K for Patronage Capital.

REPORTS

BOARD COMMITTEES, MEETINGS, & MEMBER COMMENTS

Georg Behrens reported that he has been asked to speak at an event regarding energy conservation and he will be sure that his audience knows he is speaking for his own company and not as a Fall River Director. No other reports were given.

FALL RIVER'S MANAGEMENT REPORT

Was included in the Board Packet.

ADJOURNMENT

There being no further business, **Director Robson made a motion to adjourn. Director Stiehl seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE. The meeting was adjourned at 4:40 p.m.

DATE APPROVED: October 28, 2019


Secretary Brent Crowther