

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

April 25, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, April 25, 2016, at Fall River Rural Electric's main office in Ashton, Idaho. Determining a quorum was present, President Jay Hanson called the meeting to order at 10:08 a.m. Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by Director Dede Draper.

ATTENDING  
OFFICERS

President Jay Hanson, Vice-President Doug Schmier, Secretary/Treasurer Debbie Smith, and Past President Dan Skene

DIRECTORS  
PRESENT

Brent Robson, Boyd Bowles, Dede Draper, Ralph Burton, and Ron Dye.

DIRECTORS  
ABSENT

None

OTHERS

General Manager (GM) Bryan Case, Executive Assistant Cathy Meeks, Member Services Manager Brand Hathaway, CFO Linden Barney, Engineering Manager Dave Peterson, and Operations Manager Trent Yancey

Also attending, Jerry Rigby, Attorney.

APPROVAL OF  
AGENDA

**Doug Schmier made a motion to approve the Agenda as amended. Brent Robson** seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE  
VOUCHERS

**Debbie Smith made a motion to approve the expense vouchers submitted for payment. Doug Schmier** seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## APPROVAL OF MINUTES

MINUTES OF March 21, 2015, BOARD MEETING

**Following a review of the minutes for March 21, 2015, Boyd Bowles made a motion to approve the minutes as presented. Brent Robson** seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

## CONSENT AGENDA

**After review, Brent Robson made a motion to approve the consent agenda. Doug Schmier** 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

Dede Draper reported a member had commented to her on how quick and efficient the linemen were while installing a new line to serve the future site of the Ashton substation.

GM Case attended the West Yellowstone City Council Meeting, along with Doug Schmier and FRREC staff, to discuss the possible consolidation with Lower Valley. The meeting was well attended due to other hot topics on the agenda. Several comments and questions from members after the meeting indicated there was general support for investigating consolidation.

## FINANCIAL AND STATISTICAL REPORTS

### MARCH 2015 FINANCIAL REPORTS –

Staff reviewed the March financial report, noting FRREC is ahead of budget on net margin. The primary reason Fall River is over on revenue by 3 percent is colder than normal January and February temperatures. The cost of repairing the runner on the Chester turbine #3 was not originally included in the budget and is noted on the variance report. Also noted was the payoff of the Co-Bank credit line in March (\$700K). The line of credit is the highest in January due to paying out capital patronage at the end of year, and the amount drawn this year was significantly lower than what has been drawn in the past. Staff reported FRREC is 17 percent through the capital budget, and long-term debt is down—under 70,000. Equity is at 35.4 percent. The Cooperative's financial strength continues to improve.

### AUDIT REPORT –

Mike Decoria, Auditor representing DeCoria, Maichel & Teague, presented the 2015 audit report and management letter to the board. Mr. DeCoria reviewed the management letter and report covering the legal requirements. He also reviewed substantial financial footnotes in the audit report. The financial footnotes provide clarification and give further explanation. Mr. DeCoria gave further explanation of how some of the numbers are derived. Summary comments were given, stating management estimates were reasonable, and they encountered no difficulties with performing and completing the audit due to

staff being so well prepared. FRREC had no audit adjustments and Fall River's financials fairly represent the finances of the Cooperative. Mr. DeCoria was very complimentary of staff's work and stated that having no audit adjustments is a significant indicator in how well the staff performs their jobs. Mr. DeCoria also discussed the management representation letter, signed by the CEO/GM and the CFO.

#### FEDERAL TAX RETURN 990 –

GM Case reviewed the Federal Return 990 Tax Form, which has been reconciled with the audited financial statements. The board asked questions and answers were provided. The complete document was received and reviewed by the governing Board of Directors, with no concerns expressed, and will be filed with the Internal Revenue Service. The document is a public document and is available upon request.

#### DEBT REFINANCING PROPOSAL –

Staff reported there are two loans that are up for re-pricing. The current rates were reviewed, with recommendation to lock into the new rates until maturity of each respective loan. **Boyd Bowles moved to approve staff recommendation to fix the loan rates on the two loans to maturity (15-year and 22-year terms). Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

The rates for the loans were 3.75 percent for a 15-year maturity and 3.95 percent for the 22-year maturity. President Jay Hanson reported CFC has also been able to secure funds at favorable rates.

### COOPERATIVE BUSINESS

#### POSSIBLE CONSOLIDATION –

After stating the following reasons for doing so—the importance and significance of being a member of FRREC, loss in representation, the consideration of the amount of savings, and the bylaws requirement of a two thirds vote, and employee unrest — **Brent Robson made a motion to discontinue the discussions of possible consolidation with LVE. Boyd Bowles seconded.** While the motion was on the floor for discussion, comments were given.

Comments included:

If FRREC was able to get out of PNGC, that would be different. Considering all that FRREC has going on, the timing doesn't seem right. Discussion included the need to be prepared for a changing industry which will change the business model the Cooperative has used for 75 years. Distributive generation, conservation, and members' demands to have more control over their energy use have reduce kWh used nationwide. GM Case expressed the Cooperative's desire to continually look for avenues to become more efficient and reduce costs while still providing reliable power and quality member service.

Other advantages and concerns were shared, including the size of the co-op: whether we would be better prepared for the changes that face the industry if the cooperative size was larger or if we would have greater financial strength at that size; the benefits of using economy of scale to reduce costs and save members money, savings which FRREC cannot replicate on its own; and the potential missed opportunity to save members money may lead to disappointment. The window of opportunity to a consolidation with this board and the staff due to natural attrition is optimal within the next five years. GM Case indicated that if members and the board direct staff to proceed with consolidation, Fall River has the staff and board who can successfully go through this process. Further discussion included the pride we and the members have in FRREC; our quality of service; and we spent a great deal of time discussing reduced representation.

GM Case addressed some of the concerns. It was noted that, together, Fall River and Lower Valley are financially stronger together than they are as separate entities. The importance of letting the members vote was expressed. Representation continued to be discussed, along with the values that FRREC has, and not being able to place monetary value on representation. As the discussion continued, it was expressed that making a difference becomes much harder the bigger we get, and the more diluted a member's influence may be. It was noted that, as a board, what's best for the members as a whole, needs to be kept in mind; stopping now is premature. The question was raised, "what is driving our decisions, fear or facts?" GM Case reiterated that both co-ops want to save the members money; negotiations are still going on; and when consolidated, it will not be an "us" and "them," it will be a "we." It was noted that more co-ops are merging nationwide, putting their co-ops in a better position. The members are the owners and need to be able to vote. Concern for FRREC's financial future was expressed, with comment given there are other revenue sources and savings to be looked into.

At the end of the discussion, it was reiterated that a diverse board is a good thing, but regardless on how the vote goes, FRREC needs to be unified and supportive. It was recommended that, either way, benefits and risks need to be provided to the members and allow them to make the decision.

President Hanson called for a vote of the motion. VOTE: 3 IN FAVOR; 5 AGAINST

PNGC RESOLUTION FOR A CARVE-OUT OPTION FOR LOWER VALLEY –  
GM Case reviewed the minutes of the PNGC Board Meeting, approving the motion to allow for carve-out option for Fall River and giving approval of the possible merger with Lower Valley if the consolidation moves forward and is successful. The complete document is included in the board packet.

ANNUAL MEETING PREPARATIONS, JUNE 11, 2016 –

#### NOMINATING COMMITTEE MINUTES

GM Case presented the minutes of the Nominating Committee, noting two of the members nominated had declined after staff had contacted them.

#### CANDIDATES AND DISTRICTS

GM Case reviewed the current list of candidates for the 2016 FRREC Board of Directors election. Direction was given to Attorney Jerry Rigby to move forward with the names submitted and to contact the candidates to verify qualifications were met.

#### NOMINATION BY PETITION FORM

GM Case reviewed the nomination by petition form and the process. The deadline to receive the form was April 22. None had been received.

#### STRATEGIC PLANNING AND JUNE BOARD MEETING DATES –

Following some discussion of whether to combine the June board meeting with the strategic planning meeting, a decision was made by consensus to hold the Board Meeting on June 20, 2016, in Ashton, with Strategic Planning postponed at this time. Goals and Work Plans will be reviewed at regular board meetings, making any adjustments needed to the 5-year and 10-year timelines. In July, the Board Meeting will be held as regularly scheduled on July 25.

#### TOPICS

Strategic Planning topics are to be sent to GM Case or President Hanson to be listed on regular Board Meeting Agendas as time allows.

#### SCHOLARSHIP AWARD RECOMMENDATIONS –

Administrative Committee Chair Dede Draper presented to the board for acceptance, the names of the scholarship applicants recommended by the Administrative Committee. Applications for the Lineman Scholarship had been received and will be held open until further notice. **Dede Draper made a motion to approve the list submitted by the Administrative Committee as 2016 Scholarship recipients. Dan Skene seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### PRESENTATION OF SCHOLARSHIPS

When the Fall River Electric High School Scholarships are awarded at the award assemblies, members of the Board of Directors are encouraged to attend in order to present the scholarships to the recipients. GM Case went through the list of high schools and dates of the assemblies. Dede Draper will present at North Fremont and South Fremont High Schools, Doug Schmier will present at West Yellowstone High School. FRREC staff will present at Rigby, Ririe, and Sugar-Salem High Schools. Teton High does not hold an academic awards assembly.

#### ICUA BOARD REPRESENTATION RESOLUTION –

Due to CFC demands, President Hanson has not been able to attend the ICUA meetings as he has in the past. President Hanson has appointed Dede Draper to fulfill that duty and attend the monthly meetings. **Brent Robson made the motion nominating Dede Draper as Director and Bryan Case as Alternate Director for the Idaho Consumer-Owned Utilities Association. Doug Schmier seconded.** A voice vote was taken; THE

MOTION CARRIED BY UNANIMOUS VOTE. President Hanson will still try to stay involved as much as possible.

NWPPA VOTING DELEGATE –

Following some discussion, **Boyd Bowles moved that Doug Schmier be the NWPPA Voting Delegate, with GM Bryan Case as the Alternate. Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

IRRIGATION DEMAND RESPONSE PILOT –

GM Case gave a review of the executive summary, requesting direction to move forward from the Board. The complete executive summary and BPA contract are included in the board packet. Clarification was given on what the member benefits might be. Potential risks were discussed. **Boyd Bowles made a motion to move forward with the Irrigation Demand Response Program. Doug Schmier seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

POWER SUPPLY ITEMS –

MEETING WITH PPC

GM Case had met with Scott Corwin, PPC, to discuss the New Managers Meetings with BPA Administrator Elliot Mainzer. Direction has been given to the new managers to work through their state agencies to solve some of the issues addressed at the meetings. GM Case will plan on continuing to facilitate these meetings for a couple years and then will pass it on to another GM/CEO to facilitate.

PNGC – EXPLORING ALTERNATE SERVICES REVENUE

PNGC's new CEO, Beth Looney, has looked into options to possibly provide a service that would provide a new source of revenue. This comes following a discussion regarding the value of return for members of PNGC.

CONSERVATION AND EE TALKING POINTS FROM PPC

GM Case reviewed the talking points provided from PPC, in addition to the talking points provided by ICUA and others, which can be used to inform discussions with political leaders. Staff will distribute them to board members for future use.

BPA WIN OVER PACIFICORP TRANSMISSION LITIGATION

GM Case summarized the complaint, noting PacifiCorp will drop the case. BPA will not give up any rights. The transmission serves six utilities in the area that would possibly be effected.

ORGANIZATIONAL CHART –

GM Case reviewed an updated version of the organizational chart, which reflects the increase of staffing in some areas and the reduction of staff positions through attrition in other areas. Once the current openings are filled, and staff photos are taken, a new chart

will be distributed. **Boyd Bowles made a motion to accept the organization chart with the changes reflected. Ralph Burton seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### PROPANE UPDATE –

##### EXPANSION AND OPEN HOUSE

Dan Skene reported expansion has gone well and there continues to be an increase in sales. An open house in Star Valley is tentatively set for Thursday, May 26, 2016.

##### JAY BAILEY RESIGNATION

Jay Bailey, member of the Fall River Enterprises Board of Directors, has recently sold his home, and is moving to Boise. The board is looking at not only finding a replacement, but would also like to add a board member position to represent the Star Valley area. This would increase the total number of board members from five to six. **Doug Schmier made a motion to approve increasing the number of board members on the Fall River Enterprises Board of Directors to six, with one being from the Star Valley area. Debbie Smith seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### NCSC VOTING DELEGATE –

NCSC will hold their annual meeting at the CFC Forum in June. Following discussion of who will be attending that meeting, **Dan Skene made a motion that President Jay Hanson be the voting delegate with Doug Schmier being the alternate. Brent Robson seconded.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

#### CHESTER UPDATE –

GM Case reported turbine #3 keeps tripping off. Staff is working to get it repaired and working properly prior to testing. Staff will be meeting with Tom Reiss at HCS this week to discuss options for the rake repair. He also noted the other two turbines are running well, but produce more kW with just one of them running. GM Case is hopeful that Riverside will be able to fix the issues with turbine #3.

#### ISLAND PARK –

GM Case reported on the dissolved oxygen levels. It is required that FRREC keep the oxygen levels at a seven, and the probe was reading eight. After some checking, staff found the probe that reads the dissolved oxygen levels was broken. Staff is working to assure levels are kept where they need to be in order to meet FERC requirements. Currently staff is using two 500 hp blowers to keep the levels up.

#### BUFFALO –

Staff has done some small repairs, and it is running well.

## EXECUTIVE SESSION

**Doug Schmier made a motion to go into Executive Session. Brent Robson seconded.**

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

**Brent Robson made a motion to go out of executive session. Doug Schmier seconded.**

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

## INFORMATIONAL

ICUA TALKING POINTS FOR LEGISLATIVE CONFERENCE –

A packet of information will be sent out to all board members for informational purposes.

NRECA CUSTOMER CENTRIC UTILITY MODEL –

GM Case gave a brief summary of what was included in the document, noting the reference of co-ops being “your trusted energy partner.” The report NRECA has done is a great resource for when asked about the cooperative model. The full document is provided in the board packet.

CHESTER SECTION 242 FUNDING APPLICATION –

GM Case reported the lobbying firm has submitted applications for funding of two additional years, which still needs approval, but should be received. Efforts in applying for these funds will continue at this point.

PATRONAGE CAPITAL STATEMENTS –

GM Case reported the Patronage Capital Statements have been sent out. Members should receive them shortly, so some members may call for clarification.

2016 GOAL ACCOMPLISHMENTS YTD –

GM Case reported FRREC is still on track to make all goals. The only concern is meeting the generation goal at Chester.

PATRONAGE CAPITAL DISCOUNT RATE –

GM Case presented the new discount rate for early retirement of patronage capital, which uses the formula in the policies.

## REPORTS

BOARD REPORTS –

Boyd Bowles – Reported he thought the audit went well.

Dede Draper – Reported the Directors Conference she attended was great. Scholarship recipients will be notified by staff.

Doug Schmier – Reported he participated via conference call with MECA.

Ron Dye – Inquired about the status of the Fall River History Book. Also raised the question if the Island Park office will open for the summer.

Brent Robson – Expressed that he felt the discussion on the consolidation was a good discussion.



BOARD COMMITTEES:

EXECUTIVE COMMITTEE – PRES. JAY HANSON

No report.

ADMINISTRATIVE COMMITTEE CHAIR – DEDE DRAPER

No report.

ENGINEERING & OPERATIONS COMMITTEE CHAIR – BRENT ROBSON

No report.

FINANCE COMMITTEE CHAIR – BOYD BOWLES

No report.

POLICY COMMITTEE – RALPH BURTON

No report.

ATTORNEY RIGBY'S REPORT:

No report.

MANAGEMENT REPORT:

General Manager Bryan Case gave a summary of the management report, which was included in the board packet. GM Case recently attended two civic meetings, one in West Yellowstone and one in Driggs. At both meetings, members expressed they were pleased with the services and staff. FRREC is doing a great job – as rubbing shoulders with larger utilities – FRREC is right up there.

ADJOURNMENT

There being no further business, **Brent Robson moved that the meeting be adjourned. Doug Schmier seconded.** By consensus, the meeting was adjourned at 4:20 p.m.

DATE APPROVED: 5/23/2016

Debbie Smith  
Secretary, Debbie Smith