

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

March 21, 2016

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Monday, March 21, 2016, at the main office of Fall River Rural Electric in Ashton, Idaho. Determining a quorum was present, President Jay Hanson called the meeting to order at 10:00 a.m. Joni Amen, Operations Assistant and Cathy Meeks, Executive Assistant, recorded the minutes. The invocation was given by President Jay Hanson.

ATTENDING
OFFICERS

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

DIRECTORS
PRESENT

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

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, Operations Manager Trent Yancey, and Operations Assistant Joni Amen.
Also attending, Attorney Jerry Rigby.

APPROVAL OF
AGENDA

Doug Schmier made a motion to approve the Agenda with flexibility to move the order of each topic due to time constraints. Ralph Burton 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. Ralph Burton seconded. A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

APPROVAL OF MINUTES

MINUTES OF FEBRUARY 22, 2016, BOARD MEETING

Following a review of the minutes for February 22, 2016, Doug Schmier made a motion to approve the minutes as submitted. Brent Robison seconded. A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

CONSENT AGENDA

After review, Dan Skene made a motion to approve the consent agenda.

Debbie Smith 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.

FINANCIAL AND STATISTICAL REPORTS

FEBRUARY 2016 FINANCIAL REPORTS -

FRREC staff reviewed the financial report. It was noted year to date net-margins exceed budgeted net-margins, due to the cold months earlier this year, which caused kWh sales to go up. Labor and overhead was down and the labor at Chester was significantly lower. There was a discussion on how labor and overhead are tracked. Clarification was given. Three positions recently became vacant, two of which, will not be filled.

FRREC line of credit is down for the previous year. FRREC did not use the line of credit until January. In previous years, this started in November. GM Bryan Case highlighted the Cooperative's long term debt had decreased from its peak of \$75M down to less the \$70M, while equity has increased from 26% to 35% over the same period of time FRREC has improved its financial position over a relatively short period of time.

GM Bryan Case stated staff reported new services connections are showing a slight increase in construction activity.

COOPERATIVE BUSINESS

SURFACE TRAINING -

GM Bryan Case conducted the training for the Microsoft Surface notebooks. Board members will be able to access electronic board packets, have access to Word and Excel. Staff will be able to log in remotely and receive help if it is ever needed. The instruction sheet was also distributed. Board members wanting to keep the old iPads will need to cover the estimated remaining value. Dropbox will continue to be used to send and receive board packets. During the training, OneNote is the first thing that comes up. The pen to use is connected to each surface. Wi-Fi is available on each Surface. The board discussed expense reports and clarification on using personal credit cards and the tracking of personal expenses.

EXECUTIVE SESSION

Brent Robson made a motion to go into Executive Session. Doug Schmier seconded. A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

Brent Robson made a motion to go out of executive session. Dan Skene seconded. A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

MEMBER COMMENT

GM Bryan Case reviewed a letter sent by an anonymous member regarding the possible consolidation. The board have participated in member meetings but may be asked to give portions of the presentation in the future.

POSSIBLE CONSOLIDATION -

GM Bryan Case went through the PowerPoint of updates on consolidation with Lower Valley Energy (LVE). Highlights included: PNGC will consider consolidation but voted not to allow Fall River to exit the Power Pool until 2028 when the agreement expires. Fall River was disappointed with the decision and will continue to explore opportunities to reduce Fall River's PNGC costs.

The original consolidation savings included benefits from load diversity and reduced PNGC costs. PNGC's decision results in a reduction in estimated consolidation savings from the original \$38.4M to now \$28.7M. Possible options of moving forward were discussed, including moving forward on the current course, place consolidation on hold for now and revisit on a later date, or scrap the process as it now exist. Discussion of these options continued. The consensus of the board was to hold the course and wait to see LVE's proposed changes to the memorandum of understanding (MOU).

PROPOSED MOU AND RETENTION WITH LOWER VALLEY -

GM Bryan Case reviewed the proposed consolidation MOU, highlighting the three-year freeze, CEO language and retail rate parity. The Retention Agreement was also reviewed. Following a discussion with LVE, GM Case reported LVE needed more time to review the proposed MOU changes, but felt they were reasonable. The Board discussed the length of transition may extend to two years. Clarification was given regarding the IRS Equal Representation. GM Case reiterated that remaining in PNGC was a deal killer for LVE.

GM Case reviewed the MOU guiding principles, stating some updates are still needed. As this was reviewed, other items needing to be addressed were discussed, including the timelines – with the suggestion to use events instead of dates, eliminating the need to be continually updated. Discussion continued on other aspects of the MOU and how they will affect the voting of members. A motion was made, but no second given. Discussion continued to cover other items of the MOU, and direction was given to GM Case on what changes needed to be made to the MOU prior to LVE's review. It was suggested to table the discussion until the next Fall River board meeting, which will follow the LVE Board Meeting, to hear back on their proposed changes. GM Case will present the concerns to

LVE General Manager and Board President. Questions were raised on the Retention Agreement. Following some discussion, GM Case gave clarification.

TALKING POINTS –

Updated document included in the board packet. No further discussion.

FREQUENTLY ASKED QUESTIONS –

Updated document included in the board packet. No further discussion.

HYDRO OPERATIONS –

CHESTER RAKE REPAIRS

Rake repairs have been made, and Chester is up and running.

HFF MOU

An MOU with Henry's Fork Foundation is being written by staff.

OPERATIONAL UPDATES

STATUS OF TRANSMISSION LINE CONSTRUCTION

GM Bryan Case reported the transmission line was nearly complete, and the contract crew is expected to be completed by the end of March.

FIBER TO DRIGGS

GM Bryan Case reported the Driggs office will have fiber by the end of April.

ANNUAL MEETING PREPARATIONS

MEETING DAY AGENDA

GM Bryan Case briefly went through the agenda for the Annual Meeting. Breakfast for staff and board members will begin at 7:00 am with the Board Meeting starting at 8:00 am. The Annual Business Meeting will start at 10:00 am. The Board discussed the rest of the agenda, including possible options for the question and answer session. It was determined to have members submit their questions in written format, which will then be compiled prior to the meeting so they could be addressed. If time did not allow for all questions to be answered, staff will make sure to follow up and contact members.

FLOOR PLAN FOR ANNUAL MEETING

A map of the floor plan for the area of Teton High School, which will be used for the Annual Meeting, was distributed in the board packet for reference. The same set-up will be used as last time, adding more directional signage to a couple of areas.

WEST YELLOWSTONE HIGH SCHOOL REQUEST –

GM Bryan Case presented the request received from West Yellowstone High School for a donation of poles for the WYHS football field lights. Discussion ensued of where the funding would come from, along with other details of the project. Staff will be attending a meeting with WYHS to clarify some of the questions asked. Board discussed further.

Boyd Bowles made a motion to support the donation request, with latitude given to GM Case on the details. Dan Skene seconded. A voice vote was taken, THE MOTION CARRIED BY UNANIMOUS VOTE.

SAFETY MANUAL UPDATED WITH PROPANE SECTION –

Additional pages on propane safety were provided to the board to be added to their copies of the safety manual notebooks.

FOR YOUR INFORMATION

LINCOLN DAY BANQUET –

Doug Schmier and Brent Robson attended. Both reported it was a good event and encouraged other board members to attend when possible. Also in the future, staff will try to get tickets earlier to be distributed.

PATRONAGE CAPITAL LETTER –

Member patronage capital allocations are going out in April. The letter to the members was included in board packet for reference.

YOUTH RALLY INFORMATION –

A reminder to the board: the deadline for Youth Rally applications is April 15, 2016.

OCCUPATION FAIR AT SOUTH FREMONT –

Two staff members attended the Occupation Fair at SFHS, representing FRREC. Staff reported that it was well received.

POWER SUPPLY

BPA IRRIGATION DEMAND RESPONSE –

Information included in the board packet. Discussion tabled until next meeting.

REPORTS

ADMINISTRATIVE COMMITTEE CHAIR – DEDE DRAPER

MINUTES OF FEBRUARY 22, 2016, ADMINISTRATIVE COMMITTEE MEETING. **Following a review of the minutes for February 22, 2016, Dede Draper made a motion to approve the minutes as submitted. No second needed.** THE MOTION CARRIED BY UNANIMOUS CONSENT.

FINANCE COMMITTEE CHAIR – BOYD BOWLES

Auditors will be attending April Board Meeting to report.

MANAGEMENT REPORT:

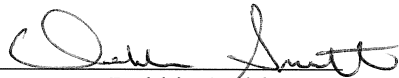
The management report submitted by GM Bryan Case was included in the board packet. GM Case noted the information included on the Overton article.

ADJOURNMENT

There being no further business, **Dan Skene moved that the meeting be adjourned. Brent Robson second.** By consensus, the meeting was adjourned at 4:40 p.m.

DATE APPROVED:

4/25/2016


Secretary, Debbie Smith