

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

May 28th, 2019

The meeting of the Fall River Rural Electric Cooperative, Inc. Board of Directors was held on Tuesday, May 28, 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 10:00 a.m. Executive Assistant Joni Amen recorded the minutes. The invocation was given by Jerry Rigby. The Pledge of Allegiance was recited.

Candidates were in attendance and introductions were made.

Scholarship recipient Kody Smoot was in attendance and was presented the At Large Scholarship Certificate.

ATTENDING OFFICERS

President Doug Schmier, Vice President Brent Robson, and Past President Jay Hanson

DIRECTORS PRESENT

Ron Dye, Debbie Smith, Georg Behrens, Jeff Keay, and Brent "Husk" Crowther

DIRECTORS ABSENT

Secretary/Treasurer Dede Draper,

OTHERS

Candidates Jodi Stiehl, Bruce Ard, Mark Hansen, Kelly Circle, Kyle Cooke, Delwyn Jensen, Scholarship Recipient Kody Smoot, CEO/General Manager Bryan Case, Legal Counsel Attorney Jerry Rigby, and Executive Assistant Joni Amen

APPROVAL OF AGENDA

Vice President Robson made a motion to approve the Agenda with changes allowing additions of financial agenda items. Director Behrens seconded. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

EXPENSE VOUCHERS

Vice President Robson made a motion to accept and approve Expense Vouchers. Director Behrens 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 April 22nd, 2019 Board Minutes as presented. Vice President 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. Vice President Robson

seconded the motion which included new memberships, purchase of power agreements, check register, and safety report, the discounted patronage capital refunds report was pulled out of the Consent Agenda for further discussion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson made a motion to approve the discounted patronage capital refunds report, with the addition of one member. Seconded by Director Crowther. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE REPORTS

Director Keay expressed concerns about the media and the differences of what is being reported by the news and what we are hearing in the actual industry reports regarding BPA's financial condition and returning salmon counts. CEO Case mentioned that while public power in the Northwest has concerns about BPA's long term competitiveness report of a bankrupt BPA, as reported in the news, it includes no details to substantiate the claim. Reports in the news that Salmon will go extinct in 4 years is also stated with no science of any data which would support such a claim. What we do have are the actual counts provided by BPA and environmental groups who watch the returning salmon and steelhead populations closely. As a scientist, Director Keay feels it is very concerning hearing contradicting statements about the "Death spiral" BPA is on. The news of Representative Simpson being in favor of removing the four lower Snake River dams is also very concerning. Discussion continued. CEO Case mentioned the proposed letter to Simpson addresses Fall River's concerns.

Debbie Smith reported that it has been a pleasure to serve Fall River as a Director and she has enjoyed working on the Board very much. President Schmier and the Fall River Board thanked her for her influence and service on the Fall River board.

Director Hanson reported that he attended the CFC Board meeting and reported on the loans that they have outstanding. He talked about Fall Rivers' Nominating Committee process while at CFC and most of the other Cooperatives are not using our type of procedures but were impressed with the results of an engaged nominating committee process. He said he is so impressed with Fall River's processes in making sure there are qualified members running for the open Board seats.

Director Behrens represented Fall River at the Legislative Committee meeting this spring. He felt that the Legislators were very attentive, and he was pleased with their interest in the power industry and on the fish issue. He mentioned that Lindsay Slater had personally asked Mr. Behrens to provide suggestions to Congressman Simpson and he sent a letter addressing his perspective about removing the 4 Snake River Dams.

Vice President Robson stated he has enjoyed working with Directors Smith and Dye and we will miss them.

Director Crowther reported on the scholarship awards assemblies he attended at Rigby and South Fremont High Schools. He said he was happy to award the Fall River Scholarships to deserving youth.

Director Dye stated that the Scholarship process is difficult in choosing only a few students when so many are deserving, he thanked everyone who served on the Administrative Committee and said he loved working on the Board and the friendships he made. He is happy with the slate of qualified candidates and feels Fall River's future will be in good hands.

President Schmier was happy to present the West Yellowstone Scholarships and he said that the graduates are very bright. He was at the NWPPA meeting in Washington DC recently and they visited the Senators and Congressmen from the Western United States. He said he feels that those relationships are very important. The discussion on wildfire mitigation was a major topic. One representative had lost his home in the Paradise, California fires.

The NWPPA Governance Relations Committee meeting was held, and President Schmier reported he was elected as Chairman of that Committee. He also said Lobbyist Marty Kanner was in attendance and he said there are lots of distractions in Washington DC and it is affecting the ability to get any work done. He had additional comments on the meeting.

MEMBER COMMENTS

Mr. Circle reported that he was in a meeting recently where term limits were discussed. He said he thanked the Board for listening to the Members and adopting them when the concerns were raised.

ALLAN WEBB COMMENTS ON GOVERNANCE

Mr. Webb sent an email to President Schmier and CEO Case which was included in the Board packet. He commented on Jerry Rigby's instruction concerning Board members code of conduct.

DAN PAUROS – INQUIRY ABOUT SCHOLARSHIP PROCESS

A concern parent had called to ask about the process of selecting Fall River scholarships and was provided a recap of the selection process. While Mr. Pauroso understood the process, he was disappointed his daughters were not awarded Fall River scholarships.

KEN CORBRIDGE – INQUIRY ABOUT NOMINATING PROCESS AND BOARD CANDIDACY

The article that Mr. Corbridge submitted to the Island Park News was discussed. CEO Case stated he thought the email was from a potential board candidate. He gave thorough answers, which came from the by-laws, to the questions that Mr. Corbridge asked. The article was correct as it pertained to Fall River and the board nominating process. Mr. Corbridge's personal views disagreeing on a member serving on the nominating committee and their occupation, were his views.

MITCHELL HYDE – LINEMAN SCHOLARSHIP THANK YOU

Mr. Hyde sent pictures of himself working on poles and sent a nice thank you letter for the Lineman Scholarship. He had been asked what the scholarship meant to him and he stated that it helped him get a start on his future career and he was very grateful for the money.

SOLAR COMMENTS-SHANE SCHULTHIES

There has been an increase in the number of inquiries regarding solar installations. Fall River has low enough rates that it doesn't make financial sense to go that route yet if basing your decision solely on economical reasoning. We do have some local vendors that we can recommend if members ask and want to install solar. Staff is redesigning the website and we may list the vetted vendors – as a service not as an endorsement. Attorney Rigby will be involved if we do this. He said it should be approached very

carefully.

FINANCIAL & STATISTICAL REPORTS

APRIL 30, 2019 FINANCIAL REPORTS

CEO Case presented the year-to-date financial report. Though we had a loss for the month, he said it is expected for this time of year and was in the monthly budget. The Cooperative has net margins 441K higher than the budget expectations from higher kWh sales mainly due to the cold wet spring. Labor costs are under budget by 33K and we are doing better on interest costs than anticipated. Long-term debt is being paid down and short-term cash reserves are being invested. CEO Case said we are on track for higher consistent growth and staff is watching our workload resource needs. He said he and his staff are watching economic concerns and indication of a possible recession in 2020. The settlement on the Chester Hydro lawsuit will be amortized over 35 years which corresponds to the remaining years of the Chester FERC license.

PROPANE LONG TERM LOAN

CEO Case reported on the loan request from Fall River Enterprises; the amortization schedule for customer propane tank purchases in the amount of \$243K was included in the packet. The forecast shows Propane will need \$280K by yearend and the amount requested was included in the approved 2019 capital budget. **Director Hanson made a motion to approve the long-term loan of \$243,225 for tank purchases to Fall River Enterprises, Inc. as presented. Director Behrens seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CEO Case reported on the revised 2019 Propane Budget as approved by the Fall River Enterprises Board on May 21st, 2019. He reported the need for additional employees to keep up with increased demands for service and additional propane customers in the legacy and Wyoming areas. The revised 2019 increases the projected net margins even with the additional personnel. The budget was revised with actual revenues and expenses for the first 4 months of operation and left budget estimates unchanged for the remainder of the year.

Candidate Cooke reported that he recently shopped for propane and their homeowner agreement requires underground tanks. He said Fall River was the only company that would lease a large 1000-gallon underground tank, he appreciated it very much. CEO Case thanked him for sharing, and he said that he is proud of the Propane Subsidiary for the customer service centered approach.

Discussion on the additional Agenda item for the Resolution to our change credit card company was held. **Director Robson then made the motion to change to the CFC One Card and approve the Resolution #647. Director Hanson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

COOPERATIVE BUSINESS

FALL RIVER FACTS AND FIGURES

CEO Case presented the Board with information cards containing Fall River's facts and figures. He said that the information on the cards is valuable as we talk to others in the Co-op world. The cards contain retail rates, number of members and meters, information on our hydro facilities, number of miles of distribution and transmission lines, and

propane facts. Fall River's mission statement, principles and slogan are also included.

STRATEGIC DISCUSSION AND ELECTRIC VEHICLE DISCUSSION

An electric vehicles (EV) charging station PowerPoint was shown on the advantages and obstacles of EV's. It is estimated that a fill up cost is around \$7 in power to fill an electric vehicle. Businesses are considering paying the costs of power to have the stations on their property to draw in patrons to their businesses. VP Robson said that Tesla's have a display giving information on the next nearest charging station available on the dashboard. There is some money still available for charging stations from the Volkswagen settlement for Idaho. CEO Case has passed on this information to local Mayors. The board discussed Fall River's roll and the potential interest from our members or communities. Questions like "Could Fall River apply for the EV charging funds?"; "Is there a return on an investment?"; or "Would this be more of a marketing tool for Fall River and the community?" were discussed.

President Schmier said he recently talked to CoBank and they have a program for taking carbon credits to use in tax portfolios by obtaining EV's. President Schmier said he saw a presentation on Tesla EV's that was very interesting. DC Fast charge was discussed, and the infrastructure and power disruption concerns. The costs for this technology are very high and currently in the industry most EV charging installs are using a level 2 fast charging system.

Director Behrens said he would prefer having a Cooperative EV with the Fall River logo on it as a display of our support for the effort.

CEO Case said a survey will be sent to the Board to bring relevant topics for strategic planning meeting this year so that the discussion items are what the Board truly feels is important and would like to prioritize.

FALL RIVER'S POWER MIX

Currently, Fall River's energy is 97% carbon free power with 88% coming from hydro generation, 8% from nuclear, with just under 1% from wind. The power sources that Fall River uses were discussed. CEO Case explained the "other" power purchases are market purchases and they lose their point of origin designation, but they do have renewables included, that are just not tracked. Avista and Idaho Power stated they will commit to 100% Carbon-free by 2045. CEO Case said that Fall River is essentially already there! Purchasing power from BPA ensures Fall River access to renewable hydro power. The bonus is BPA's costs are less than other renewable alternatives.

EXECUTIVE COMMITTEE REPORT AND DISCUSSION ON NOMINATING COMMITTEE PROCESS

Discussion on the Nominating Committee process and proposed changes was held. CEO Case explained that was the topic in the Executive Committee meeting last week. He explained the current process and the recommended changes to the process. The proposed change is to appoint a large list of potential members who are willing to serve on Fall River's nominating committee. Board members will suggest members to add to or remove from the list and the full board will discuss and take action to approve a list of potential members to serve on the member nominating committee. Staff will work with the appointed list of members to identify between 5 and 11 members who can meet on a

specific day. Ensuring committee members from the district up for vote as well as having geographical representation on the committee will be considered when forming the committee. Those members willing and able to meet on the specified day will be presented to the full board for approval.

There was discussion on the Board President not attending the Nominating Committee Meeting if he/she is up for election. Fall River's Director's discussed and there were opinions on both sides. President Schmier said he wanted to know everyone's feelings and did not take it personally. **Director Behrens then made a motion to approve the process changes of formally voting on the master expanded member list for selection of Nominating Committee members as presented by CEO Case. Director Hanson seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Following the discussion on the President attending the Nominating Committee Meeting, **Director Crowther made a motion for the Board President to appoint another Board Member to direct the meeting if he/she is up for election and not attend the Nominating Committee Meeting. Director Keay seconded the motion.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

FREQUENTLY ASKED QUESTIONS UPDATE

The report was discussed. The consensus was to accept the changes as presented.

ANNUAL MEETING REVIEW

CEO Case explained to the Candidates present that they will be receiving a letter explaining the process, and a shirt to wear to the meeting. He invited them to the Board Meeting prior to the breakfast. The Annual Meeting draft agenda, memo to staff, map of North Fremont High School, certificate of mailing of ballots, scripts, and the sample ballot with proposed bylaw changes were included in the packet and the material was reviewed.

BPA

BPA's Energy Imbalance Market (EIM) participation is estimated to be a \$42.7M benefit annually. There are a lot of outside influences. Fish costs that the rate payers have paid were discussed. BPA is being asked to do so much more than other entities selling wholesale power, and that is why they are having difficulty competing with those who aren't required to meet the same set of standards. Discussion on the cost of dams, access to cheap renewable power, and long-term competitiveness was had by the board. Public Power, Fall River Members have paid the treasury for the costs for the transmission and generation assets and properties and that we should have a say in the plan or if assets are placed up for sale we should have first right of refusal. Discussion on stock fish vs. wild fish genetics was held.

LEGISLATION TO ALLOW BPA TO PURCHASE CARBON CREDITS TO SELL EXCESS GENERATION

Progress is being made and it looks promising. Language is being included in appropriations to evaluate cost allocations on dams. The BPA Fact Sheet-Benefits of Lower Snake River Dams was included in the packet. Articles and ongoing conversations

on Congressman Simpson's "What if we Breached the 4 Snake River Dams" article was included in the packet.

LETTERS TO CONGRESSMAN SIMPSON AND LINDSEY SLATER

CEO Case drafted a letter, which was vetted by PPC, PNGC, and ICUA. Following discussion **Vice President Robson made a motion to approve and add signatures of the Fall River Board of Directors to the letter. The motion was seconded by Director Hanson.** A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CEO Case reported on the meeting Jim Matheson had with Congressman Simpson and shared a letter written by the Idaho Grain Producers Association and Idaho Water Users Association letter. Recent articles were reviewed.

STRATEGIC PLANNING MEETING PREPARATION

The topics and logistics of Board Strategic Planning were discussed. NRECA staff will send a survey to the Board in order to come up with topics most relevant for the Directors. Fall River has been using a vision statement crafted after board strategic discussion which is longer than we would like. One of the exercises will be review and revamp Fall River's mission statement. There are board member conflicts with the selected dates so staff will try to pick a time that will work for most. The meeting will be held at the Ashton Office.

NCSC VOTING DELEGATE

Director Robson made a motion for Director Hanson to be the NCSC voting delegate. Seconded by Director Keay. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

CYBER SECURITY TRAINING –

IT Manager Shannon Hill conducted training exercises on phishing e-mails. He explained the dangers of phishing and the Cooperative's effort to protect members data and to maintain a robust cybersecurity systems in place.

EXECUTIVE SESSION

Vice President Robson made a motion to go into Executive Session at 1:00 pm. Director Hanson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

Director Hanson made a motion to go out of Executive Session at 2:05 pm. Vice President Robson seconded the motion. A voice vote was taken; THE MOTION CARRIED BY UNANIMOUS VOTE.

MANAGEMENT DISCUSSION ITEMS

HYDRO FACILITIES UPDATE

- Island Park is running at almost full production. The second turbine is not at 100% yet. The tailrace needs to be dewatered for maintenance this fall. They will do some work on the batteries at the gate as well. There may need to be a capital budget addition for that. The small blower is in and we are waiting for parts in order to finish repairs on the large blower. A five-year trial DO test arrangement has been agreed to

by the NGO's, Fremont-Madison, and FERC. DO requirements will drop temporarily and will be changed to benefit the fish spawning cycles.

- Buffalo is running, staff plans to do maintenance this fall and will shut down to inspect the shafts and bearings.
- Felt Operating Statement – We are experiencing another great water year and the plant in near capacity. Staff is doing a study on fish at the plant. They are having great success in catching fish in the fish trap on the plants fish ladder. They are monitoring the water levels and temperatures as well.
- Chester – Chester has two turbines running near 100% and the third is available to generate when additional runoff arrives.

SOLAR FOR SCHOOLS BEGINS CONSTRUCTION JUNE 10TH
CEO Case reported that we will have a ribbon cutting in September.

UPDATE ON SMART HOME PILOT PROJECT

NORTHWEST POWER AND CONSERVATION COUNCIL

A recap of the panel discussion was included in the management report. CEO Case received complements from Council Commissioners and staff as well as a personal text from Elliot Mainzer who appreciated the points made in the presentation to the council.

ICUA REPORT

CEO Bryan Case was re-elected by the Idaho-Owned Cooperative Utilities Association (ICUA) to serve on the NRECA Board. This is a very prestigious position and the Directors congratulated Mr. Case.

COBANK SHARING SUCCESSES

Staff applied for and was awarded a \$5,000 matching grant to Fall River Helping Hands.

NET METERING SUMMARY

CEO Case reported that there is talk of a 3% rate increase from BPA. We are now in a position financially where Fall River might be able to absorb those costs increases. Fall River staff will prepare and review the 10-year forecast and cost of service analysis. CEO Case suggested it may be time to look at Fall River's rate structure and make slight adjustments, specifically the \$36 line and system maintenance fee. The Net Metering policy allows Fall River to operate as a bank where the excess generation production is purchased at the end of the year by Fall River. During the year, members are given their production at retail rates. We are beginning to show growth in solar panel installations and are up to 90 net meter members. Changes may be needed to remove or reduce cross subsidization among members.

REPORTS

EXECUTIVE COMMITTEE CHAIRMAN, DOUG SCHMIER
Discussion was held earlier in the meeting.

ADMINISTRATIVE COMMITTEE, RON DYE

Most of the scholarships have been awarded. There are a few ceremonies yet to attend.

ENGINEERING & OPERATIONS, BRENT ROBSON

A committee meeting will be held in August.

POLICY COMMITTEE

There was a meeting this morning and the policy updates will be presented next month.

ATTORNEY RIGBY'S REPORT

There was a 1990 settlement agreement with Sho-Ban Tribes known as the Fort Hall Settlement Agreement. One of the items that wasn't quite settled and resulted in the can being kicked down the road, was the determination of what rights the tribe will be allowed to develop in the Bannock Creek area located in the Arbon Valley drainage area. When it is all said and done, all water users, including those in the Coop's boundary, may be required to buy some water rights to keep the Tribe whole

FALL RIVER'S MANAGEMENT REPORT

The reports were included in the packet.

CALENDAR

The June 17th Board meeting was discussed, it will be a condensed version.

ADJOURNMENT

There being no further business, **Vice President Robson moved that the meeting be adjourned. Director Smith seconded.** BY CONSENSUS, THE MEETING WAS ADJOURNED AT 4:55 p.m.

DATE APPROVED: June 17th, 2019


Secretary Dede Draper