A General Session of the Board of Directors was held on February 25, 2016, at the Lower Valley Energy Afton office. The meeting was called to order at 9:00 a.m. by Board Chairwoman, Linda Schmidt.

BOARD MEMBERS PRESENT: Fred Brog, Peter Cook, Rod R. Jensen, Ted Ladd, Dean S. Lewis, Linda Schmidt, and Nancy Winters.

OTHERS PRESENT: James R. Webb, President/CEO; Steve Duerr, Attorney; Rick Knori, Director of Engineering; Bill Spaulding, Director of Operations; Martell Brower, Director of Gas Operations; Brian Tanabe, Communications Manager; Gay Petersen, Executive Assistant/HR; Roxie Melton, Beartooth Electric Cooperative Board Chair, Dick Nolan, Beartooth Electric Cooperative Director; Jerry Hansen, Bryan Case, President/CEO Fall River Electric Cooperative; Brent Robson, Director Fall River Electric Cooperative; Dan Skene, Director Fall River Electric Cooperative; Ron Dye, Director Fall River Electric Cooperative; Jim Brown, Anixter Supply; Mark McMillin, Anixter Supply

Those attending by teleconference: Arleen Boyd; Beartooth Electric Board Member; Jay Hanson; Fall River Electric Cooperative Board Member; Debbie Smith, Fall River Electric Cooperative Board Member; Boyd Bowles, Fall River Electric Cooperative Board Member; Dough Schmier, Fall River Electric Cooperative Board Member; Ralph Burton, Fall River Electric Cooperative Board Member.

Meeting adjourned to a Board/CEO/Attorney session at 9:05 a.m.

Meeting reconvened at 9:50 a.m.

Lower Valley Energy Chairwoman, Linda Schmidt, welcomed all of the guests and introductions were made.

Minutes of the December 17, 2015, General Session were accepted as presented.

James R. Webb discussed the President/CEO Report.

The Board reviewed the Lower Valley Energy Director Districts for 2016. It was the Board’s consensus to leave the districts as currently outlined.

The Board reviewed the 1099 board expenses.

The Board completed the review of their individual 990 questionnaires.

James R. Webb reviewed the 2016 Annual Meeting and Election Schedule.

Director orientation for new director candidates was discussed. Rod Jensen and Nancy Winters were appointed to organize this if necessary for the 2016 annual election.

Nancy Winters reported on the Lower Valley Energy Audit Committee Meeting held February 22, 2016. Recommendation was given to the Board to write off accounts receivable in the amount of $9,727.07 with $3,540.88 in patronage capital credits to be applied resulting in a net write-off of $6,186.19.

A motion was made and seconded to write off accounts receivable in the amount of $9,727.07 with $3,540.88 in patronage capital credits to be applied resulting in a net write-off of $6,186.19. Motion carried. Voting was unanimous.

Discussion was held regarding allocated CFC patronage capital assignment. Management received opinions from NRECA and the auditors and Lower Valley’s current method is considered appropriate.
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James R. Webb discussed the draft December 2015 financials.

James R. Webb discussed the natural gas balancing account. He recommended no adjustment to the natural gas rates. Jim reviewed the study on the cost of service side of the natural gas rate. He recommended a 5% decrease to the cost of service side of natural gas effective March 1, 2016.

A motion was made and seconded to reduce the natural gas rate by 5% due to reduced costs and efficiencies effective March 1, 2016. Motion carried. Voting was unanimous.

Jim Brown, Anixter Regional Representative, and Mark McMillian, Anixter Account Representative, presented a purchase volume refund check in the amount of $17,447.61 to Lower Valley Energy. Jim Brown discussed the recent changes moving from HD Supply to Anixter and the foundation of the business.

James R. Webb discussed the 2015 System Goal Accomplishment.

A motion was made and seconded to approve the proposed 6.56% for the 2015 Lower Valley System Goals. Motion carried. Voting was unanimous.

A motion was made and seconded to approve adding two additional goal achievements to the proposed 2015 Lower Valley System Goals making the total amount 6.67%. Motion carried.

James R. Webb welcomed everyone from Beartooth Electric Cooperative (BEC) and Fall River Electric Cooperative (FREC) on the phone and in attendance to the discussion on the proposed consolidation between LVE, FREC and BEC. Topics discussed were: Rate Equalization, BPA rate prepayment by LVE, COSA to drive rates, equalization of rates within 5%, director election timeline acceleration, director voting equality and representation of membership, culture issues, differences between Idaho and Wyoming statutes and the retention agreements.

Bryan Case, President/CEO of FREC, reviewed the developments from the recent PNGC meeting where FREC requested to be released from PNGC membership.

James R. Webb discussed the timeline of the proposed member vote regarding consolidation.

James R. Webb discussed BEC's decision not to sell BEC to NWE and how they arrived at this decision. EES will do a three way study between BEC, LVE, and FREC. BEC maybe allowed to come in later after the vote in September.

James R. Webb discussion the positives of having propane and natural gas and expanding those businesses in FREC and BEC areas.

James R. Webb reported on the NRECA International volunteer program and that BEC, FREC and LVE are sending one lineman from each cooperative to help out in Haiti.

Jim reviewed the Cardinal Natural Resources report prepared by B & H Geologists. The Clines Ranch Well is also being explored as an alternative resource option.

Jim reported that the Afton LNG deliveries are getting more expensive and harder to get. Staff is working on a pipeline study to serve Afton.

James R. Webb reviewed the Operation Roundup update. He requested that the Board ratify the current Operation Roundup Board.
A motion was made and seconded to ratify the Operation Roundup Board as now constituted.
Motion carried. Voting was unanimous.

Rod R. Jensen reviewed the recent Swift Creek Board Meeting on February 4, 2016. He discussed the LIBOR rate and reported that the Town of Afton accepted the second addendum agreeing to the terms of when Lower Valley takes Swift Creek to load.

Bill Spaulding discussed the benefits of having a system maintenance plan and reviewed the proposed 2016 System Plan.

The outage and safety reports were reviewed.

Bill Spaulding discussed the benefits of having a system maintenance plan and reviewed the proposed 2016 System Plan.

A motion was made and seconded to approve the proposed IBES Local Union No. 322 Agreement from January 16, 2016 through January 15, 2017. Motion carried. Voting was unanimous.

Nancy Winters reported on ICUA issues and range land fire protection associations.

Discussion was held regarding disaster recovery plans and establishing guidelines on how to deal with emergencies.

The board reviewed the first half of the annual WREA dues in the amount of $38,803.00, the annual NRU dues in the amount of $46,612.00, the annual Northwest River Partners in the amount of $10,550.00, the annual NESC dues in the amount of $28,275.00 and the first half of ICUA dues in the amount of $2,961.91.

A motion was made and seconded to approve a request for early patronage capital retirement from Carney Ranch Company in the amount of $3,598.62 Motion carried. Voting was unanimous.

A motion was made and seconded to approve a request for early patronage capital retirement from Astoria Mineral Springs, Inc. in the amount of $1,632.69. Motion carried. Voting was unanimous.

James R. Webb presented the NRECA Director Gold Program Certifications achieved to Peter L. Cook, Dean S. Lewis and Linda Schmidt.

A motion was made and seconded to terminate the BEC liaison position held by Rod R. Jensen. Motion carried. Voting was unanimous.

Meeting adjourned at 3:15 p.m.

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Linda Schmidt, Chairwoman    Nancy Winters, Treasurer/Secretary