



Where Service Matters

Annual Report
2015

Annual Membership Meeting
Saturday, June 11, 2016



Fall River Rural Electric Cooperative
The Next Greatest Thing

Fall River Rural Electric Cooperative

The Next Greatest Thing

Fall River is immersed in a history of innovation, continually finding new approaches to ensure members have access to low-cost, reliable energy. This started in 1938, when a handful of farmers knew their lives would be substantially improved if they had access to and could use electricity in their homes. The investor-owned utility serving the area at that time didn't think it was financially viable to provide power to the rural communities, and so these entrepreneurs took matters in their own hands and started their own electric cooperative. Fall River exists, and is successful 78 years later, because these original visionaries and many that followed them were focused on preparing for the future.

In the 1930s a Tennessee farmer while talking at a church was quoted as stating, "Brothers and sisters, I want to tell you this. The greatest thing on Earth is to have the love of God in your heart, and the next greatest thing is to have electricity in your houses."

The phrase "**The Next Greatest Thing**" embodies an innate attribute of your Cooperative, in that the board and staff anxiously engage in exploring and implementing the next greatest thing to benefit our members. Your Cooperative started in rural Ashton, Idaho, with 40 members. A few years later, it expanded service to the Rigby/Ririe area. In the mid-'40s, the Cooperative purchased a diesel generator in West Yellowstone and built transmission and distribution lines to serve members in Island Park and West Yellowstone. In 1960, Fall River purchased Teton Power and Milling and expanded service into the Teton Basin. These expansions improved operational efficiencies and reduced the cost to serve members. As you can see, your Cooperative is always looking for the next greatest thing.

Preparing for the future and continuing to implement the next greatest thing will ensure that this Cooperative continues to meet the energy needs of our owners well into the future.

Fall River and other cooperatives are anticipating industry changes that will impact the way we have traditionally done business. Your Cooperative is preparing for this new future. We have aggressively managed our costs and have substantially improved Fall River's financial position. Your Cooperative's equity ratio has risen from a low of 26% equity to 35.4% equity. Long-term debt has been reduced from a high of \$74M to \$68M. This significant financial improvement was accomplished while building the Chester hydro plant at \$21M; investing \$6.4M in advanced meters and a fiber backbone system; and investing approximately \$3M in infrastructure, facilities and vehicles annually to maintain a highly reliable system.

As stewards of this great Cooperative, there is more to accomplish, and we have the board and staff in place to anticipate and prepare for the changes ahead. In that light, Fall River has been jointly exploring and studying the merits of consolidating with another electric cooperative, Lower Valley Energy. Lower Valley serves members in Jackson Hole, Star Valley, and Swan Valley. Our service territories are divided by the Tetons. Lower Valley also excels at providing low-cost, reliable energy and is dedicated to their members. Both cooperatives have participated in three studies, and the respective boards have met to discuss the benefits and concerns of a joint endeavor. The primary purpose for consolidation is to provide significant cost savings for the members. If the boards think there is enough opportunity to benefit our members, Fall River will provide the information to our members and the members will be asked to vote. It only makes sense – you own the Cooperative, and therefore you have the final say.

We look forward to seeing you at the annual meeting this year to discuss this exciting development and to review the other significant accomplishments made on your behalf.

Sincerely,



Jay Hanson
Board President



Bryan Case
CEO/General Manager



Where Service Matters

800-632-5726

ASHTON (Co-op Headquarters)
1150 North 3400 East
Ashton, ID 83420

DRIGGS
1605 N Highway 33
Driggs, ID 83422

WEST YELLOWSTONE
436 Madison Ave
West Yellowstone, MT 59758

BOARD OF DIRECTORS

Dan Skene District 1 Rexburg/Rigby	Dede Draper District 6 Ashton
Jay Hanson District 2 West Victor	Ron Dye District 7 South Island Park
Boyd Bowles District 3 East Victor	Ralph Burton District 8 North Island Park
Debbie Smith District 4 East Driggs	Doug Schmier District 9 West Yellowstone
Brent Robson District 5 West Driggs/Tetonia	

MANAGEMENT STAFF

Bryan Case Chief Executive Officer / General Manager
Linden Barney Chief Financial Officer
Brand Hathaway Manager of Member Services
Dave Petersen Manager of Engineering
Trent Yancey Manager of Operations

2015 By the Numbers

13,089
owner-members

15,999
meters connected

2,381
miles of power lines

282,968,978
kilowatt hours
delivered to
members

\$1,262,679.⁰⁰
patronage capital
paid to members for
the year

\$19,907,106.⁰⁰
patronage capital
total paid to date

\$36,000.⁰⁰
awarded in
scholarships to 72
children of members

\$315,541.⁰⁰
reimbursed to
members for energy-
conservation efforts

53
families received
energy assistance
from Helping Hands

Revenues, Expenses & Patronage Capital

as of December 31, 2015 and 2014

	2015	2014
OPERATING REVENUE		
Electricity sales	\$27,650,809	\$28,130,697
Propane sales	2,492,798	3,174,012
Other operating revenue	<u>517,360</u>	<u>442,484</u>
TOTAL OPERATING REVENUE	<u>30,660,967</u>	<u>31,747,193</u>
OPERATING EXPENSES		
Power production expense	860,885	864,686
Cost of purchased power	10,049,882	10,131,315
Cost of propane	1,187,594	2,198,643
Cost of propane installation and delivery	802,180	644,035
Transmission expense	34,419	58,223
Distribution - operations	2,170,206	2,187,081
Distribution - maintenance	1,311,704	1,452,914
Member accounts	938,329	948,345
Member service and information	98,197	86,212
Sales expense	114,190	104,158
Administration and general expense	2,870,515	2,802,706
Depreciation and amortization expense	3,827,927	3,748,836
Taxes	696,931	693,634
Interest on long-term debt	3,141,972	3,221,778
Other interest charges	<u>5,191</u>	<u>4,859</u>
TOTAL OPERATING EXPENSES	<u>28,110,122</u>	<u>29,147,425</u>
NET OPERATING EXPENSES	<u>2,550,845</u>	<u>2,599,768</u>
NON-OPERATING MARGINS		
Interest income	46,634	49,357
Provision for Boardman decommissioning and site restoration costs	97,420	190,699
Impairment of assets	(225,000)	-
Gain on disposal of general plant	14,887	42,163
Other non-operating income (expense), net	<u>98,290</u>	<u>79,809</u>
TOTAL NON-OPERATING MARGINS	<u>32,231</u>	<u>362,028</u>
Capital credits from associated organizations	<u>586,695</u>	<u>494,414</u>
NET MARGINS	<u>3,169,771</u>	<u>3,456,210</u>
Patronage capital, beginning of year	37,894,837	35,674,303
Retirement of capital credits	<u>(1,262,679)</u>	<u>(1,235,676)</u>
PATRONAGE CAPITAL, END OF YEAR	<u>\$39,801,929</u>	<u>\$37,894,837</u>

Consolidated Balance Sheets

as of December 31, 2015 and 2014

	2015	2014
ASSETS		
NONCURRENT ASSETS		
Utility plant, net	\$98,556,085	\$99,982,490
Investments	5,415,296	5,045,736
Note receivable	100,107	101,507
Non-utility property, net	<u>2,928,140</u>	<u>2,403,553</u>
TOTAL NONCURRENT ASSETS	<u>106,999,628</u>	<u>107,533,286</u>
CURRENT ASSETS		
Cash and cash equivalents	1,385,988	718,889
Accounts receivable, net	4,041,650	4,023,355
Materials and supplies inventory	1,283,955	1,342,061
Other current assets	<u>112,496</u>	<u>94,484</u>
TOTAL CURRENT ASSETS	<u>6,824,089</u>	<u>6,178,789</u>
Deferred charges	<u>2,653,014</u>	<u>2,980,729</u>
TOTAL ASSETS	<u>\$116,476,731</u>	<u>\$116,692,804</u>
MEMBERS' EQUITY AND LIABILITIES		
MEMBERS' EQUITY		
Patronage capital	\$39,801,929	\$37,894,837
Other equities	<u>509,099</u>	<u>391,369</u>
TOTAL MEMBERS' EQUITY	<u>40,311,028</u>	<u>38,286,206</u>
NONCURRENT LIABILITIES		
Long-term debt, due after one year	<u>68,619,844</u>	<u>70,406,843</u>
TOTAL NONCURRENT LIABILITIES	<u>68,619,844</u>	<u>70,406,843</u>
CURRENT LIABILITIES		
Long-term debt, due within one year	2,331,422	2,284,811
Lines of credit	-	300,000
Accounts payable	1,721,694	1,908,167
Member deposits	328,091	321,350
Deferred revenue	112,022	106,333
Other current liabilities	<u>2,266,651</u>	<u>2,344,808</u>
TOTAL CURRENT LIABILITIES	<u>6,759,880</u>	<u>7,265,469</u>
Deferred credits	<u>785,979</u>	<u>734,286</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$116,476,731</u>	<u>\$116,692,804</u>

2015 Highlights

- Improved the equity ratio from 33% to 35% thus improving your Cooperative's financial strength.
- Installed fiber optic lines to 15 of our 25 substations and to all of Fall River offices which improves security, efficiency, and reduces costs.
- With construction of the Huntsman Springs to Tetonia 46kv line, we completed the rebuilding of our 46kv system that was started 30 years ago, which means greater system reliability.
- Crews experienced NO lost time accidents while staff responded to over 35,000 calls from members.
- Invested \$2.8M in facilities and equipment to continue ensuring the reliable power system you expect.
- With voluntary contributions from Fall River members and many other folks, we successfully partnered with swan activists and environmental groups to bury existing overhead power lines to save trumpeter swans.



Where Service Matters



Annual Membership Meeting Saturday, June 11, 2016

Teton High School • 555 Ross Ave, Driggs

Fall River Rural Electric Cooperative *The Next Greatest Thing*

8:00 – 10:00 am

FREE BREAKFAST including your choice of eggs, pancakes, sausage, bacon and hashbrowns along with coffee and assorted drinks (while supplies last).

REGISTER TO WIN PRIZES during our Health & Energy Expo starting at 7:30am in the high school gym. Many booths will offer **FREE MERCHANDISE** or will hold drawings for a **FREE PRIZE**.

FREE INFO from nearly 20 exhibitors on topics such as health, energy and much more.

LEARN ABOUT REBATES for your home-improvement projects, such as adding insulation and/or installing energy efficient windows and exterior doors; ductless, air source, and geothermal heat pumps; ENERGY STAR appliances; and agricultural irrigation system pumps. Rebates are also available for lighting projects for commercial and agriculture businesses.

FREE MASSAGING SHOWERHEAD and **TWO FREE LED BULBS** to the first 500 members who visit the Fall River Electric energy conservation booth. The eco-friendly showerhead features a pressure-compensating flow regulator for powerful showers, even while saving water! While at the booth, register for a **FREE HOME ENERGY AUDIT**, a \$265 value!

WIN A SMOKER! Register in the Fall River Propane booth for a **FREE SMOKER** to be given away at the start of the business meeting. You must be present to win!

FREE BOUNCE HOUSES and **FREE RIDES** in the Fall River Propane "train" for the kids!



The first 700 members* through the door will receive a **FREE BAMBOO CUTTING BOARD!** This handy eco-friendly kitchen accessory features double-sided striped inlays for added grip.

**Only one per membership*

10:00 – 11:30 am

ANNUAL MEETING OF MEMBERS

- ➔ Meet the board candidates from District 4: East Driggs, District 7: South Island Park, and District 9: West Yellowstone.
- ➔ Hear from Fall River Electric Cooperative's CEO/General Manager Bryan Case.
- ➔ Learn the financial condition of the Cooperative during the annual audit report.
- ➔ Be introduced to this year's college scholarship recipients.
- ➔ Vote for board members if you have not already done so.
- ➔ Hear the Co-op's chief election judge announce the results of the Board of Directors election.
- ➔ Be present for a chance to win one of thousands of dollars in free prizes to be given away at the end of our meeting!
*Only one prize per membership.



Fall River linemen will present a high-voltage electrical safety demonstration during our annual meeting. When you attend, register to win a **FREE Husqvarna gas-powered chainsaw**, providing more power and better performance year after year. The drawing will be held at the start of our business meeting; you must be present to win.

Chainsaw provided courtesy of Miller Tree Service of St Anthony, Idaho

2016 Board of Director Candidates

Exercise your power of membership by voting in this year's election of members to the Cooperative's Board of Directors. This year's election covers districts four, seven and nine. Every member is eligible to vote no matter which district you live in, and members should vote for all districts.



Four Ways to Vote:

- 1. VOTE BY MAIL**— Use the enclosed ballot and return envelope to vote. Your ballot must be **RECEIVED** by Wednesday, June 8, 2016, at the address indicated on your ballot envelope. **Do not mail ballots to Fall River Electric!**
- 2. VOTE ONLINE**— Save the stamp and vote via the internet by going to directvote.net/frrec. Use the **member number** and **election passcode** found on the enclosed ballot to log in, then just follow the directions to vote. Voting online **STARTS** May 20, 2016, and **ENDS** at noon, Mountain Daylight Time (MDT), June 8, 2016. **If you vote online, you do not need to mail in a ballot.**
- 3. VOTE BY PROXY**— If you would like to vote but cannot attend the Annual Meeting, or do not want to vote by mail or online, you can vote by proxy. Your vote can be brought to our Annual Meeting by the person you designate as your proxy. According to Fall River Electric's by-laws, "proxies may be provided with written instructions as to how the holder (of the proxy) shall vote" and must be dated and filed with the Secretary of the Cooperative at the time of the Annual Meeting. Call Member Services at 800.632.5726 if you desire a proxy form.
- 4. VOTE IN PERSON**— Attend the Co-op's Annual Meeting on Saturday, June 11, at Teton High School in Driggs, Idaho. Voting will take place starting at 8:00 a.m. and will continue until the start of the Co-op's business meeting at 10:00 a.m.

Candidates for District 4 East Driggs



Ken Dunn

Ken Dunn earned a bachelor's degree in mechanical engineering from Utah State University, spending summers as a fly-fishing guide on the South Fork of the Snake and Teton Rivers, and he also earned an MBA from Pepperdine University. After a brief career in the aerospace industry, Ken returned to Teton Valley, Idaho, where he now oversees the family Angus ranch, works as a real estate broker, and plays as a husband, father and avid outdoorsman. Active in his community, Ken has served on the boards of directors of the Teton Regional Land Trust, the Community Foundation of Jackson Hole, WY, the Family Safety Network (past president) and, most recently, was the founding board chairman of the Community Foundation of Teton Valley.

Ken looks forward to applying his business experience and over 18 years of board member experience toward improving the business of Fall River Electric Cooperative.



Debbie Smith *Incumbent*

I have been living in Teton Valley for 29 years with my husband, Clay, and our three daughters, Sarah, Ashley and Heather. I currently work for the Teton County Assessor's office in Driggs. I started serving on the Fall River Electric Board in 2011 and shortly after began attending classes presented by the National Rural Electric Cooperative Association. I received my certificate of achievement for the Credentialed Cooperative Director Program in October 2012 and then my certificate of achievement for completion of the Board Leadership Program in October of 2013.

I currently serve on the Administrative Committee and was chairman of this committee for two years. Presently I am the secretary/treasurer of the Fall River Electric board. It has been a pleasure to serve on this board, and with your support I hope I can continue to represent all of the Cooperative's members.

Candidates for District 7 South Island Park



Ron Dye *Incumbent*

For the past 12 years, I have had the privilege of serving you as a member of the board of directors for Fall River Electric Cooperative.

It has been stated that change is the only constant in life; as I get older I understand that statement more and more. We are currently experiencing changes throughout the electric utilities industry. Most notably, in transmission of power supply.

As Fall River Co-op keeps working to keep our lights on with reliable service, I would like to continue serving my friends and community as a director. Fall River Co-op is owned by you, the people it serves, and when I think of owning something, I take care of it so it will last. That has always been my goal as a director. As budgets are tight and workloads are heavy, it has been an honor and a privilege to work with the eight other directors, the employers and staff as they are dedicated to the co-op.

Thank you, Ron Dye.



Dennis Kennedy

My name is Dennis Kennedy. I have lived in Island Park my entire life, even going to school when we had one up here. I have been in business in Island Park for over 40 years, running a successful construction company and a snow-plowing service in the winter. With my construction company, I built custom log homes. My father, Chick Kennedy, built before me, building many of the buildings that are well known in Island Park. He also worked for the

REA, opening up right of ways.

I helped start the fire department in Island Park and was also able to volunteer with them for eight years. I am a former president of the Snowmobile Club. I was president of the Sportsman's Club for 14 years. For about eight years I was on the council for the City of Island Park. I was the first ambulance driver in Island Park. I served on the Chamber of Commerce board of directors and also the Historical Society. In 1970 I received the JA Bombardier Award for life-saving efforts. I was vice president of both the Council of 6 and the Idaho Wildlife Council, hosting meetings at my home on Henrys Lake.

I am currently a member of the Christmas Gang, hosting golf tournaments to raise money for families in need at Christmas time. We also raise money for Big Brothers Big Sisters, Coats for Kids Foundation, and Make-A-Wish Foundation.

I would be proud to be a part of the Fall River board of directors, and I feel honored that you have considered me. Thank you.

Candidate for District 9 West Yellowstone



Doug Schmier *Incumbent*

Doug Schmier says, "Becoming involved where you can exercise talents and leadership skills to the benefit of all are vital to the success of a community." That's why Doug is not only involved as a Fall River Electric board member, but he is also very active in community events, sponsored by the local Chamber of Commerce and others. He is a graduate of West Yellowstone High School, attended Montana State University in Bozeman and is co-owner of Jerry's Enterprises in West Yellowstone, which operates various local businesses that are service related. Customer service is an important part of what we do.

Doug says, "I want to focus on how best to deal with rising wholesale electric costs and other industry factors that Fall River Electric will be facing, as well as keeping an eye on legislative issues in both Idaho, Montana and nationally that could have an impact on the co-op and its members." He feels that conservation is becoming more critical in helping members control their electrical costs, both from a residential and commercial aspect. There are many things that the electrical industry is facing now and into the future. It is vital we keep abreast of current trends while charting the course that benefits our members and puts the co-op on the path needed for future generations. Having earned the Board Leadership Certificate and receiving other continual education will help Fall River Electric with making the decisions that affect all of us.

Doug and wife Stacey enjoy their three grown children, and he says, "Grandkids are such a joy!" Woodworking, reading, and taking advantage of the abundance of outdoor activities with his wife are things Doug enjoys the most in his spare time.

Did you know?

Fall River Propane now offers propane service to homes and businesses in all of Star Valley – from Smoot to Alpine.



Get Your Propane Cylinder Certificate!



Come to the Annual Meeting on Saturday, June 11, and visit the Fall River Propane booth to receive a certificate you can redeem to fill your propane cylinders for just \$5 each:

Bring your cylinders & certificate to

FALL RIVER PROPANE

1605 N Hwy 33, DRIGGS
or 1150 N 3400 E, ASHTON

WEDNESDAY, JUNE 15

8am to 6pm

Bring as many cylinders* as you want & get each filled for

JUST \$5!

*Cylinder size limited to 40 pounds max or 9 gallons per cylinder. Limit 5 cylinders per member.

- 😊 Get Ready For Campouts & Backyard BBQs
- 😊 Local Propane Provider – **owned by YOU!**
- 😊 Tank Rentals & Sales
- 😊 Gas Stoves & Fireplaces
- 😊 Professional Installation – Quality Service

