FEBRUARY BOARD MEETING

March 8, 2011

Present: Jeremy "Nim" Titcomb, Dick Garing, Ken Westman, Richard Erickson, Frank Kline, Ron Perrow, Pat Leigh and Paul Taylor.

Absent: Don Hover

Attending: Ray Ellis; General Manager; Lynn Northcott, Office Manager; Teri Parker, Office Staff

Guest: Gil Sparks and Jennifer Sands, Ogden Murphy Wallace PLLC, Okanogan County Electric Cooperative, Inc. (OCEC) Attorney.

Members in Attendance: Kent Hitch, Deborah Helleson & Rod Harnes, Matt & Marlene Firth, Jim Brennan, Mike Shirley, Duncan Bronson, Joe Callier, Betsy Cushman, Dale Sekijima, Jeff & Marie Hardy, Ada Knowles, Sheila McLean, Ed Surrette, John Kirner, Ann McCreary and Charley Ryan.

PRELIMINARY

1. Meeting Called to Order

   Vice President Frank Kline called the meeting of the Board of Directors of Okanogan County Electric Cooperative, Inc. (OCEC) to order at 7:00 pm.

   Frank Kline opened by thanking Ray Ellis for 25 years of service to the Cooperative, in particular, the last five years as the General Manager. Ray's last day at OCEC is March 18th and there will be an open house for him on that day from noon to 4:00 pm.

2. Determination of quorum

3. Approval of Agenda

   Frank suggested that no further additions be made to the agenda; it is already full and is expected to be a long meeting.

   Paul moved to approve the agenda as presented. Second. Carried.

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4. APPROVAL OF CONSENT AGENDA ITEMS

1. Minutes from January 25, 2011
2. New members
3. January 2011 – Form 7
4. Statement of Operations
5. Revolving Loan Fund
6. Power & Service Data
7. Outage Report

Pat asked to have the minutes of the January 25, 2011 meeting removed from the consent agenda to the full agenda for corrections and additions.

Ron moved to accept the consent agenda. Second. Carried.

MINUTES OF THE JANUARY 8, 2011 BOARD MEETING

On page 3, first paragraph, Pat asked Ray if the issues regarding crane training regulations has been resolved. Ray responded, no; the state needs to meet or exceed Federal OSHA standards and the issue is at the Federal level.

Page 4; item 4, page 11 of the budget review: the $75,000.00 conservation expenditure. Pat asked if it should include the name of the non-profit that was discussed in regards to the money. After a discussion, it was agreed that it was not in OCEC's best interest for it to be included in the minutes.

Page 5, last paragraph; In regards to Frank's amendment to the COSA through PNGC and whether it was possible to use more than just the minimum system approach, has this been answered? Ray said yes, it is in the process but will take time.

Page 7, paragraph 2; *Pat Leigh stated that the proposed budget shows the need to borrow $250,000 to cover the 2011 budget and that we have a history of increasing indebtedness each year for the past five years. As a result of Pat's concerns over the past five year's cash flow it* was decided to ask Dan Kessler from Cooperative Finance Corporation (CFC) to hold a session for Board

education on the Key Ration Trends Analysis (KRTA) and related finances of the Cooperative.

The amended minutes were approved by acclamation.

5. MEETINGS ATTENDED

1. PNGC – Portland OR – February 1st & 2nd – Ray
2. Union Negotiations – Winthrop WA – January 28th – Ray, Don & Ron
3. Union Negotiations – Winthrop WA – February 10th & 11th – Ray, Don & Ron
4. Legislative Rally-Olympia WA –February 10th & 11th –Richard, Ken & Ray
5. Load Control Meeting – Co-op Office-February 17th Board of Directors

Meetings attended were reviewed.

6. MEETINGS TO ATTEND

1. PNGC-Portland OR-March 1st & 2nd Ray
2. Union Negotiations-Winthrop WA-March 17th & 18th –Ray, Ron & Gil
3. Union Negotiations-Winthrop WA-March 23rd & 24th –Ray, Ron & Gil

Meetings to attend were reviewed.

7. UPDATE ON OPERATIONS

Ray reported we are working on tree trimming this time of year. It is more expensive now because we now chip and remove the debris.

We are in the process of preparing for the construction season. Projects for 2011 include completing the East County Road upgrade, Wolf Creek 3-phase upgrade which is part of the Mazama feeder upgrade. We will also be looking at the Lost River upgrade to 3-phase and regulator upgrades to stabilize voltage.

There will be some pole replacement and the crew has been working on upgrading Pine Forest and Edelweiss underground wire. We are scheduled to borrow $250,000.00 for capital improvements.

We have received the Mazama Feeder Study and have asked for additional information to meet future needs. The Engineers will meet with BPA to discuss the purchase of the Winthrop Substation and the transmission line from Twisp to Winthrop.

ITEMS OF BUSINESS

1. PNGC Review – Ray

   February has seen record production of energy due to water flow. Future production depends on variables such as the spring melt, too fast or a slow melt, and the market prices.

   Ray stated a decision needs to be made tonight on the Residential Exchange settlement. This is a result of the negotiations between Public Utilities and Investor Owned Utilities (IOU's) in regards to the power available for rural resident accounts.

   Residential Exchange is a slice of the Hydro system that the IOU's were able to take away from the Public Utilities. The Public Utilities took BPA to court over their allotment and won all the way through the Ninth Circuit Court. At that point BPA turned to mediation and the result is this settlement.

   Nim moved to go along with PNGC's settlement with BPA's Residential Exchange. Second.

   Discussion; Ron asked if this was a consequence of historic BPA action. Ray stated this action came about with the North West Power Act. Investor owned Utilities (IOU's) were able to negotiate a portion of BPA's power they needed to supply their residential customers. It started out as energy, evolved into payments and was not supposed to affect the Public Utilities rates. The Public Utilities believe BPA's actions affected their rates and decided to take legal action.

   Frank called for a vote; motion was carried.

2. Policy No. 30-410 Line Extensions
3. Policy No. 30-105 Schedule B Second Meter

4. Policy No. 30-110 Schedule A General Service
5. Policy No. 30-140 Schedule C Irrigation Service
6. Policy No. 30-150 Schedule L Large Commercial

Wording additions to policies 30-105, 30-110, 30-140 and 30-150 are the same.

Ron moved to accept policy No. 30-105 as presented. Second. Carried.
Paul moved to accept Policy's 30-110, 30-140 and 30-150 as presented. Second. Carried.

Policy No. 30-410 was reviewed due to extensive rewording.

Ken moved to accept policy No. 30-410 Line Extension as presented. Second. Carried.

7. By-Law Change

Policy No. 10-190 Mail In Voting is a new policy to address the 2011 elections, ballots and the timing of the ballots and the timing of counting the ballots.

After review and discussion is was decided to correct grammar under section II, paragraph two, last sentence should read;

OCEC reserves the right to reduce the print size of any statement submitted, but will do so on a non-discriminatory basis to all statements.

Paragraph three; last sentence, item 2); remove the period and add;

On a proxy form provided by the OCEC upon the members request.

Gil stated that this policy is in compliance with our current By-Laws.

After further discussion it was decided not to make any By-Law changes at this time. Paul also suggested that there be a date on the ballot so it can only be used at this meeting; agreement by consensus.

Paul moved to accept policy 10-190 with the approved changes. Changes were read back for clarity. Second. Carried.

Meeting adjourned to executive session at 8:10 pm.

Meeting reconvened out of executive session at 9:47 pm.

> Ken moved to table all discussion and negotiations on the potential PUD/Co-op merger until such time that we have a permanent General Manager. Second. After discussion the chairman put the question for a vote. All in favor, Carried.

By consensus the board agreed to have the Supervisors act as a Managerial Team until an Interim Manager can be hired.

The Directors selected an executive Committee to begin the Interim Manager Selection process. Dick Garing, Paul Taylor, Pat Leigh, Frank Kline, Lynn Northcott and Don Clutter.

> Ken moved to accept the proposal of creating a new position of Operations Manager. Second. None opposed. Carried.
>
> It was noted that this was not a new position at the Co-op, rather a promotion of an existing employee.

Meeting adjourned to executive session at 9:49 pm.

Meeting adjourned at 10:08 pm.

Richard Erickson, Secretary