OKANOGAN COUNTY ELECTRIC CO-OPERATIVE

march ~~FEBRUARY~~ BOARD MEETING

March 22, 2011

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

Attending: Lynn Northcott, Office Manager; Teri Parker, Office Staff; Don Clutter, Engineer Manager; Doug Graybeal, Service Tech.

Guest: Gil Sparks, Ogden Murphy Wallace PLLC, Okanogan County Electric Cooperative, Inc. (OCEC) Attorney and Rodger Matlock, Auditor for Larson Allen, LLP.

Members in Attendance: Kent Hitch, Deborah Helleson, Ron Harnes, Jim Brennan, Mikel Shirley, Duncan Bronson, Joe Callier, Betsy Cushman, Dale Sekijima, Charley Ryan, Ray Peterson, Ann McCreary, Mark Crum and Deanna Melton.

PRELIMINARY

1. Meeting Called to Order

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

2. Determination of quorum

3. Approval of Agenda

   Don had one addition to the agenda; No. 1 on the Items of Business is OCEC Energy Sentry Phase III Demand Project Presentation by the Engineer department.

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

4. APPROVAL OF CONSENT AGENDA ITEMS

   1. Minutes from March 8, 2011
   2. New members

P. O. BOX 69 • WINTHROP, WASHINGTON 98862 • TEL (509) 996-2228 • FAX (509) 996-2241

3. February 2011 – Form 7
4. Statement of Operations
5. Status of Funds
6. Revolving Loan Fund
7. Power & Service Data
8. Outage Report

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

5. MEETINGS ATTENDED

1. PNGC – Portland OR – March 1st & 2nd – Ray
2. Cooperative Finance Cooperation (CFC), Dan Kessler – Winthrop WA- March 14th – Directors, Candidates, Ray & Lynn N.
3. Conservation Demand-Winthrop-March 9th, 10th and 16th – Don, Deanna, Mark, Doug & Ray

Meetings attended were reviewed.

6. MEETINGS TO ATTEND

1. Union Negotiations-Winthrop WA-March 23rd & 24th –Gary, Lynn, Ron & Gil
2. PNGC-Portland OR-Via Phone Conference-April 5th & 6th-Ken
3. WRECA-Richland WA-April 12th-Ken & Richard
4. NWPPA-E&O Conference-Reno NV-April 4th thru 8th-Don

Meetings to attend were reviewed.

7. UPDATE ON OPERATIONS

Lynn presented a letter to the Board of Directors from Cooperative Finance Cooperation (CFC). The letter confirmed CFC considers OCEC to be in acceptable financial condition based on the information currently known to CFC. It further stated CFC considers the results of OCEC's audit and Form 7 as of December 31, 2009 to be acceptable.

ITEMS OF BUSINESS

1. OCEC Energy Sentry Phase III Demand Project Presentation
Engineer Manager, Don Clutter and Engineer Staff, Doug Graybeal presented a proposal to move into Phase III of the demand conservation pilot project. The purpose of the project is to install Energy Sentry units (E.S.) into homes with a monthly demand of 10 kw or higher in order to allow the engineers to collect a statistically relevant body of data allowing OCEC to document the value of load management compared to system capacity upgrade costs.

   After reviewing Phase I and II the points of discussion included; 1) Department of Energy (DOE) matching grant funds that are available for the project; 2) how much the project will cost OCEC per month and annually; 3) the thorough investigation of other options; 4) billing the customer for a unit; 5) how other Co-ops handle this type of project; 6) options for offering customer control or OCEC control of demand; and 7) timing to implement this plan.

   Ken moved to expand the Energy Sentry (E.S.) Pilot Project to Phase III, as presented by the Engineering staff, to 200-units over the next 20-months. Second.

   Discussion included Q & A for staff; including can OCEC implement this project in phases as opposed to 200 units all at once? Can the project be stopped at anytime with no further cost to OCEC? Does OCEC have room in the budget to implement or can OCEC use the conservation money?

   According to staff, the project can be implemented in smaller increments; the project can be stopped anytime with no further costs to the Co-op; there is room in the budget and the conservation money is promised committed to other projects.

   Paul moved to amend Ken's motion to include monthly reports from staff to show what the effect per unit is in loss of demand revenue as well as what is the impact on our system peak per unit. Second.

   Don called for a vote to end the debate. Second. Carried.

Don called for a vote on the amendment to the motion. Motion carried with none opposed.

Lynn read the amended motion as follows; Ken moved to expand the Energy Sentry (E.S.) Pilot Project to Phase III, as presented by the Engineering staff, to 200-units over the next 20-months and to include monthly reports of lost revenue by demand per unit and the impact on system peak per unit. Motion carried.

2. Rodger Matlock, Larson Allen, LLP - Audited 2010 Financial Presentation

Rodger presented the non-confidential portion of the financial audit report and suggested when it was time to review the confidential Okanogan County Energy, Inc. (OCEI) portion that the meeting should adjourn to executive session.

Independent Auditor's Report letter attached herein.

Meeting adjourned to executive session at 8:20 pm.

Meeting reconvened out of executive session at 8:45 pm.

Rodger reviewed a handout of statistics and trends of Washington State utilities, including Bonneville Power Association (BPA). The report showed how OCEC compared to other utilities in the State.

3. PNGC Review

No report.

4. Interim Manager's Search-Committee Report

Paul reported the committee met a week ago. Don Clutter volunteered to act as coordinator as resumes' are received. Ads have been placed in NWPPA trade magazine and on our website. So far, seven (7) applications have been received. The committee will meet again on Friday.

5. Policy Draft - Information Security Policy

Lynn presented a draft policy by Mark Crum. The policy concerns protection of sensitive information in computer systems or on premises and safeguarding other information such as employee and customer information. She encouraged Directors to take the policy for review and make suggestions.

6. CFC - Loan Renewal Contracts

Lynn reported that loan paperwork has begun and it will be on the agenda at the April 26th meeting. It doesn't mean that we will borrow money but if we do the paperwork could be in place.

7. Presidents Comments, Methow Valley News

Paul opened the discussion by stating that he refutes the statements made by the Board President in the paper regarding the reason Ray Ellis left OCEC for another job.

Don responded that, in his view, his statements were an accurate reflection of the comments Ray Ellis had shared with him.

After a discussion, among the Directors, it was agreed that if possible Board members should discuss these types of issues with each other directly.

8. Set Date for OCEI Annual Meeting

Paul proposed May 24th, 2011. OCEC Board meeting will be held at 6:00 pm followed by the OCEI annual meeting. The regular OCEI monthly meeting will be held afterwards.

In closing Paul noted that this meeting was the last for Richard and Nim and the Board joined in thanking them for all their years of service. Richard noted they both received pen sets as gifts at Ray's farewell Open-House held on the 18th of March.

Meeting adjourned to executive session at 9:25 pm.

Meeting adjourned at 10:25 pm.

_____

Richard Erickson, Secretary