May 24, 2011

Present: Don Hover, Dick Garing, Frank Kline, Ron Perrow, Pat Leigh, Paul Taylor, Dale Sekijima and Ardis Bynum. Kent Hitch arrived at 6:12 pm.

Attending: Doug Adams, Interim General Manager, Lynn Northcott, Office Manager; Teri Parker, Office Staff; Don Clutter, Engineer Manager.

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

Members in Attendance: Doug Graybeal, Deborah Helleson, Ron Harnes, Mike Shirley, Duncan Bronson, Ann McCreary, Pete DeLong and Jim Thomas.

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 6:03 pm.

2. Determination of quorum

3. Approval of Agenda

   Pat requested one addition to the agenda; No. 10 on the Items of Business; Okanogan County Energy Inc. (OCEI); open Annual Meeting to public.

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

4. APPROVAL OF CONSENT AGENDA ITEMS

   1. Minutes from April 26, 2011
   2. New members
   3. April 2011 – Form 7
   4. Statement of Operations
   5. Status of Funds

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6. Revolving Loan Fund
7. Power & Service Data
8. Outage Report

Paul noted a correction to the April 26, 2011 minutes; on page two (2) under consent agenda, last paragraph, second sentence should read 'Dale commented this discussion has taken around ~~50~~ 15 minutes...'.

Ron moved to accept the minutes as corrected. Second. Carried.

5. MEETINGS ATTENDED

1. Union Negotiations-Winthrop WA-April 26th & 24th –Gary, Lynn, Ron & Gil
2. Pacific Northwest Generation Cooperative (PNGC)- Webinar-Conservation issue for Board Member-Gina Monteverde
3. NRECA-Legislative Conference-Washington DC-May 2nd thru May 5th- Don
4. PNGC-Portland OR-May 10th & 11th-Dale
   Dale presented a handout to the Board briefing them on Bonneville Power Association (BPA) load as characterized by tiered rates and how OCEC can expect BPA's rate structure to affect OCEC's rates.
5. Union Negotiations-Winthrop WA-May 10th & 11th-Doug, Gary, Lynn, Ron & Gil

Meetings attended were reviewed.

6. MEETINGS TO ATTEND

1. OCEI-Annual Meeting-Winthrop WA-May 24th-All Board of Directors from OCEC & OCEI
2. PNGC-Strategic Planning-Stevenson WA-June 6th & 7th-Doug Adams
3. WRECA-Spokane WA-June 6th & 7th-Ron & Ardis
4. Corporate Finance Cooperative (CFC) 2011 Forum-San Francisco CA- June 11th thru 15th-Lynn
5. Union Negotiations-Winthrop WA-May 25th- Doug, Gary, Lynn, Ron & Gil

Meetings to attend were reviewed.

7. UPDATE ON OPERATIONS

Doug Adams, Interim Manager;

1. Signing Policy No. 30-420 Net Metering Installations –

   Doug presented the policy for signing. It was approved at the April 26th Board Meeting.

2. NRECA-Executive Search Proposal

   Doug gave an update on the search process. OCEC has posted General Manger advertisements in several trade publications. To date, nine (9) applications have been received.

3. Doug proposed the Board consider a couple of workshops. Item number one would cover Bylaw changes that need to be addressed and reviewed. Item number two would cover OCEC's System Study from Electrical Consultants Inc. (ECI). This study review will be important for short and long term system planning and rate setting discussions.

   After a short discussion it was decided to hold a workshop on June 21st at 6:00 pm to cover both topics.

   Don Clutter reported that the engineers met with representatives of BPA at the Winthrop Substation for training and to begin the process to negotiate a purchase of the substation from BPA. This process will likely take 6-9 months.

   He reported that Deanna Melton and Mark Crum attended the Annual Aclara Client Conference in Nashville Tennessee, May 9th thru 12th.

   Don and Gary Wilson attended a Wildfire Management Meeting for multiple agencies including State, County and Local Officials. The meeting was for coordinating emergency plans in the event of wildfire that threatens our equipment. OCEC will coordinate training with the PUD in order to be certified and allowed to access our equipment in the event of wildfire.

ITEMS OF BUSINESS

1. PNGC Report

   Dale covered the report in his earlier briefing.

2. WRECA Report

   No report.

3. BPA Residential Exchange Program

   Frank moved to authorize the Manager to sign the Residential Exchange contract as amended. Second. Carried.

4. Don -Proposed Mazama Feeder Long Range Plan 2011 Interim Solution-Phase I

   Don presented the Board with recommendations for the Mazama Feeder Planning Study (MFPS) short term fixes. He asked for unbudgeted money for 2011 in the amount of $53,000.00 to purchase equipment for the Winthrop Substation. The money would be for Regulator replacement and the purchase of a Bank Second Step-Up Transformer.

   Doug recommended budgeting for another Step-Up transformer in 2012 in addition to the 2011 request.

   Frank moved to authorize an expenditure of approximately $53,000.00 for the Mazama Feeder upgrade in order to mitigate winter demand concerns. Second. Carried.

5. New Single Large Load Rate Policy

   Doug presented this policy to establish a method for determining a rate for any future large single load service that may be added to our system. To avoid being in a position to have to serve the customer at a rate less than the cost of wholesale power.

Ron moved to adopt the "New Large Single Load" policy proposed that allows OCEC to negotiate a rate with a customer that proposes to add a new large single load on OCEC's system. Second. Carried.

6. Finance Committee

Doug presented a proposal for the development of a Finance Committee for OCEC to assist staff and the board in development and review of OCEC's financial issues.

Frank moved to adopt a "Finance Sub-committee" to work per the proposed charter to provide oversight and review of OCEC's finances. Second. Carried.

The chairman appointed Kent, Dale and Frank to serve on the committee.

7. Professional Service Agreement (PSA) for Study of Demand Reduction Service

Ron opened the discussion with a motion to terminate the Brayden Unit Pilot Study. Pat seconded.

Speaking to the motion Ron stated it is "money poorly spent" based on Paul's cost analysis and "the Brayden Unit doesn't do what we need it to do". He believes there are other options that would be more effective.

Frank spoke against the motion stating that without a study we (OCEC) does not have the information needed to make a determination that the unit would be ineffective.

Doug's proposal would allow an independent qualified source study the effects of the Brayden Energy Sentry on OCEC's system. A study could answer many questions and concerns to give the OCEC board a better comfort level on the correct path forward before OCEC continues the Pilot Project.

Doug confirmed that the Board gave the staff the go ahead (by motion) to expand the Pilot Project to 200-units over the next 20-months. He noted that start-up costs funded by the Co-op would come back to OCEC through grant money and customer payback for units.

Doug stated that the PSA proposed would provide the board with a comprehensive report that will help clarify most issues.

Ardis moved the question. Second. Carried.

Don called for a vote on Ron's motion to terminate the Brayden Energy Sentry Project. 4-votes in favor; Ron, Pat, Paul and Kent. 4-votes opposed; Dale, Ardis, Dick and Frank. President Don Hover cast the tie breaking vote-opposed. Motion failed.

Frank noted that he does not have a problem terminating the project if the study shows it to be ineffective.

Frank moved to authorize the Manager to sign a Professional Service Agreement with Lands Energy to perform a study of the Brayden Energy Sentry effects on OCEC's system for a not to exceed amount of $10,000. Second.

Dale moved to amend the motion to add; based on recommendation of the consultant, this study will serve as an up or down recommendation to continue the Brayden Energy Sentry Project. Second.

Frank spoke against the amendment saying he believes the Brayden unit accomplishes a lot more than what the board is looking at. He would like to have the ability to continue to discuss this based upon input from the consultant. He feels it would be difficult to put the weight of this decision strictly on the numbers because not many small Co-ops are going this route so how can the consultant have any more information than anyone else regarding the immeasurable benefits to a portion of our members.

Ron spoke for the amendment with questions for Dale regarding the scope of coverage expected for the financial aspects of the project; costs, revenues, customers.

Call for vote on the amendment. Amendment passed with one opposed, Frank.

Call for vote on the motion as amended. Motion carried with none opposed.

8. Rate Design Discussion

Doug suggested bringing in a person or organization to walk the Board through the process of setting rates. After a short discussion Don directed Doug to set up a workshop for the purpose of education in rate setting.

9. Board Strategic Planning – Paul Taylor

Paul suggested the Board plan a half day or longer workshop to help the Directors set short and long term goals. He suggested this be a "meat and potatoes" type of strategic planning workshop. The Board agreed and Don directed Doug to set-up a workshop. Doug said he will email an outline to Directors.

10. OCEI- Open Annual Meeting to Public

Pat moved to make the OCEI Annual meeting open to the public. Second.

She stated her intent is to make OCEI financial information more readily available to OCEC members.

After a short discussion Corporation Attorney, Gil Sparks, stated there is only one shareholder of OCEI, which is OCEC. It does not give members of OCEC the right to attend meetings. In fact, this Board does not have the legal authority to make the motion Pat made to direct the OCEI board to open the meetings to the members of the Co-op. To go down that path OCEC is going to create a whole host of legal gray areas that could lose the for profit status of the propane company. Gil continued that private information should not be made available to anybody but the shareholder and the sole shareholder is OCEC representatives.

Gil's recommendation was for Pat to withdraw the motion and for this Board to not engage in a discussion that seems to direct the OCEI Board in a particular course of action.

After further discussion it was a Board consensus to improve communication to the public.

Pat withdrew her motion. Second. Agreed.

Meeting adjourned to executive session at 8:10 pm.

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Kent Hitch, Secretary