BOARD MEETING

December 28, 2010

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

Absent: Pat Leigh

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

Members in Attendance: Marlene Firth, Matt Firth, Duncan Bronson, Gina Monteverde and Betsy Cushman.

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

   Ray requested to add number 7, Update on Operations and under items of business number 5, Public Utility District (PUD) Merger Report.

   Nim moved to accept the agenda as amended. Second. Carried.

4. APPROVAL OF CONSENT AGENDA ITEMS

   1. Minutes from November 22, 2010
      Don noted the vote count under number 10, Rate Structure Survey and Rate Structure Discussion should be; on the amendment 3-votes in favor **5**-votes opposed and on the motion **5**-votes in favor and 3-votes opposed. Also noted was a spelling correction in item 9; (Legal) Counsel instead of council.

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Paul requested that number 10, paragraph 3 have a wording addition after 'Policy NO. 30-100 Rate Structures and Schedules was reviewed and discussed' ***as was a proposal made by Paul Taylor to change the residential rate structure philosophy to one that recovers the Co-op's operating costs through a combination of the energy charge and monthly base charge, with no demand charge.***

Ken moved to accept the minutes as amended. Second. Carried

2. New members
3. November 2010 – Form 7
4. Statement of Operations
5. Status of Funds
6. Revolving Loan Fund
7. Power & Service Data
8. Outage Report

Frank brought up the financial summary memo from Ray and asked if there is a reason to be concerned over margins being below budget for November.

Ray responded that the equity is still within the target window and financial TIER (Times/Interest/Earned/ Ratio) remains sound year to date. Other factors such as two new alternate rates, increased cost in wholesale power and increased cost of operations have contributed to lower margins than budgeted for.

Paul moved to accept the consent agenda as presented. Second. Carried.

5. MEETINGS ATTENDED

1. Pacific Northwest Generation Cooperative (PNGC) – PORTLAND OR – Dec 7th & 8th – Ray
2. Human Resource Course – Wenatchee WA – Dec 8th – Gary, Don & Lynn N
3. Washington State Rural Electric Cooperative Association (WRECA) – SeaTac WA – Dec 13th – Ken & Richard

Richard informed the directors that a speaker from Washington State Emergency Management Division spoke regarding Federal Emergency Management Agency

(FEMA) and funding reimbursement after a natural disaster and John Prescott from PNGC spoke about Federal and State regulations in regards to system reliability.

4. PNGC – Portland OR – Dec 20th - Ray

6. MEETINGS TO ATTEND

1. PNGC – Portland OR – January 4th & 5th – Ray

7. UPDATE ON OPERATIONS:

Ray reported the engineering study for Mazama has been received. OCEC has 2 options to address the load issues on the Mazama feeder:

Option 1 is to add a new substation in Mazama with a transmission line at a cost of 9.1 million dollars.

Option 2 is to add on to the Winthrop substation; including a 115/24.9KV 12/16/20 step down transformer with an express feeder to Mazama and a step down substation to attain the 12.47KV system voltage for distribution.

Both options require system capacity upgrades on the Wolf Creek feeder with additional work done in Lost River to better balance the load in that area. An upgrade to our protection scheme with increased re-closure sizing and a new voltage regulator bank to serve Lost River is also part of both options.

Discussed were demand load problems, financing and logistics of engineering options and conservation solutions to load problems in Mazama.

Ray presented a letter from the conservation committee requesting funds for programs in our community to reduce our energy requirements. Discussed were programs such as low-income weatherization, units in homes to help control demand load and kWh use and parameters for implementation. In addition, who would qualify for help and how the money would be spent was also discussed.

Frank moved to include $75,000.00 in the 2011 budget for implementation of conservation programs. Second. Carried.

Ray requested authorization for funding a pilot project for load control to gather data for cost benefit analysis. OCEC will put 20 Load Control Units into consumer's homes to start the process. Department of Energy grant money will be used for 50% all expenses, including employee time.

Paul moved to authorize Ray to spend up to $6,000.00 for testing load control options that are otherwise unavailable. Second. Carried.

Ray will be emailing the draft budget to board members. Alternate rate structures discussed at the November 22nd meeting are not completed.

Over the Christmas holiday we had two poles break off in the Lost River area. The crew spent most of Christmas Eve and part of Christmas morning restoring power in that area.

ITEMS OF BUSINESS

1. PNGC Review - Ray

   Snow pack is closer to normal as we near the end of 2010. Market prices for energy are low. Rates are set for the 2011 fiscal year.

   Bonneville Power Association (BPA) is changing its conservation program. In the past we had to spend $28,000.00 on approved conservation to receive a decrease in our wholesale power costs. The new program has us spending conservation money and invoicing BPA for reimbursement (up to $78,000.00). PNGC will try to streamline the process.

2. Policy 30-410 Line Extensions-Installations, Retired, Upgrades & Relocations.

   After review and discussion it was decided by consensus to reword portions of this policy for the purpose of clarification. The policy will be brought back at the next meeting.

3. Mail-In Ballot

Ron and Teri presented their findings on preparing the ballot packages in-house using first class postage, utilizing the Ruralite services or using a private printer for preparation and mailing.

Paul moved to have the staff arrange for a first class mail-in ballot replicating the county voting as closely as possible. Second. Carried.

4. Audit Committee and Audit Services authorization

Lynn reported our past Auditor, LeMaster and Daniel, has been purchased by the firm of Larson Allen. She presented letter of proposal to perform audit services for Okanogan County Electric and Okanogan County Energy in January 2011. Fees have increased by 3% and the letter will need to be signed before moving forward.

Ron moved to accept Larson Allen as Auditor for 2011. Second. Carried.

Serving on the audit committee will be Nim, Paul and Pat. Ken will serve as an alternate if needed.

5. PUD Merger Report

Ray and Paul met with Dave Womack and Dave Grubich of the PUD. They discussed OCEC merging with the PUD. Paul said the advice they came away with was to perform a rate comparison with real people on our service, perform an assessment of OCEC's systems net worth and consider how contractual obligations and debt obligations could be met.

Ray will direct staff to compare rates between OCEC and the PUD to determine the overall difference.

Meeting adjourned to executive session at 9:00 pm.

Meeting reconvened at 9:09 pm with no action taken in executive session.

Ron moved to accept Policy's number 40-010 and 40-020 as presented. Second. Carried.

Meeting adjourned to executive session at 9:10 pm.

Meeting reconvened at 9:30 pm with no action taken in executive session.

Meeting adjourned at 9:30 pm by Board consensus.

Richard Erickson, Secretary