

## **BOARD MEETING**

**December 29, 2011**

**Present:** Don (Bud) Hover, Kent Hitch, Dave Gens, Ardis Bynum, Dick Garing, Paul Taylor, Pat Leigh, Ron Perrow and Dale Sekijima (arrived @ 9:10 am).

**Attending:** David Gottula; General Manager, Lynn Northcott; Office Manager, Mark Crum; Office Staff and Teri Parker; Office Staff.

**Guest:** Jennifer Sands (via Skype), Ogden Murphy Wallace PLLC, Okanogan County Electric Cooperative, Inc. Attorney.

**Members in Attendance:** Fred Wert, Duncan Bronson, Mike Shirley, Pete DeLong, Ann McCreary and Shane Ruoss.

**Non-member in Attendance:** Susan Crampton.

### **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 9:03 am.

#### **2. DETERMINATION OF QUORUM**

#### **3. APPROVAL OF AGENDA**

Dave Gens asked that Item of Business #1, Selection of Vice President, be moved to the end of the list.

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

#### **4. APPROVAL OF CONSENT AGENDA ITEMS**

David Gottula noted the Status of Funds projected is not accurately represented in this report but will be included with capital credits in next month's report.

Ardis moved to accept the Consent Agenda as presented. Second; carried.

## **5. MEETINGS ATTENDED**

1. Co Bank – OCEC Office – Nov 29<sup>th</sup> – David, Lynn and Finance Committee

David reported the purpose of the meeting via conference call, was to explore financing alternatives for OCEC.

2. NRECA – RS Pension – OCEC Office – Dec 5<sup>th</sup> – NRECA Insurance Representative, Bob Alvin, David, Lynn, Teri, Pat, Ron, Ardis and Finance Committee.

3. PNGC – Portland, OR – Dec 6<sup>th</sup> & 7<sup>th</sup> David

Our current billing is \$125,000, which reflects credits issued.

4. Governance Committee – OCEC Office – Dec 1<sup>st</sup> – David, Lynn, Dick and Ardis. Paul attended via telephone.

5. WRECA – Board Meeting – Sea-Tac WA – Dec 13<sup>th</sup> – Ron and Ardis

Ardis will send a synopsis to Directors regarding legislative issues and WRECA decision to hire a part-time lobbyist.

Ron reported there was discussion of I-937, Energy Independence Act, requiring state electric utilities serving more than 25,000 customers to obtain 15% of their electricity from new renewable resources by 2020 and to undertake all cost-effective energy conservation.

Ron reported that this would only become a consideration if OCEC were to merge with the PUD; at this point in time Hydro-power is not considered a renewable resource.

6. Co Bank – OCEC Office – Dec 13<sup>th</sup> – David, Lynn and Finance Committee

Co Bank representatives attended the meeting to further explore financing alternatives.

## **6. MEETINGS TO ATTEND**

1. PNGC – Portland OR – Jan 3<sup>rd</sup> & 4<sup>th</sup> – David

2. Start visits to Commercial customers as part of Outreach committee agenda – David and Ardis.

David stated that he and Ardis will be contacting commercial customers to introduce themselves, get to know the customers and to educate them about the upcoming rate setting process.

3. Annual Audit – Last 2-weeks of January

## **7. UPDATE ON OPERATIONS**

David Gottula, General Manager.

David reported he has sent out the first draft of the COSA and revenue requirements to the Board.

Discussion included the rate setting process and public meetings. The first Board workshop meeting is to be held in mid-January.

A series of member-meetings beginning on February 16, 2012 will address revenue requirements, COSA (cost of service analysis) results and alternatives available for rates.

Another meeting March 13, 2012 will allow for discussions and feedback for narrowing down details.

Rate implementation is planned to be implemented on April 1, 2012 at the latest, with a May 15, 2012 meeting planned for member feedback after implementation.

David stated he is working with staff to get the meetings posted on our website.

## **ITEMS OF BUSINESS**

1. Set Annual meeting date

David reported that OCEC is penciled in at the Winthrop Barn for April 16, 2012; a date that works well with Bylaw requirements for nominating committees, nominations and mailing of the ballots.

Ron moved to select April 16, 2012 as the Annual Meeting date. Second. Carried.

2. PNGC Report

David reported on a recent FERC (Federal Energy Regulatory Commission) decision regarding the 2011 high water spill in the spring. There was too much water in the system and BPA used it to generate power, shutting down wind and other fossil fuel systems. This will likely be an issue in the spring of 2012 as well.

The Wind Power entities took the issue to FERC and FERC determined that BPA could not shut down wind power during times of excess hydro production. BPA is responsible for damages; revenue lost for wind power. If the wind power is shut down they receive no subsidies from the federal government.

BPA has additional capital financing concerns that could mean another true-up for customers at the end of 2012.

### 3. Policy No. 20-030 – Attendance of Members or Other at Board of Director Meetings

Paul reviewed changes made to the existing policy.

Jennifer added that this policy is not intended to subject OCEC to the Public Meeting Act and members will still have to follow the Bylaw procedures regarding complaints against a director.

Ron moved to accept the policy with the caveat that the language of 'this policy is not intended to subject OCEC to the Public Meeting Act. Second. Carried.

Paul suggested that topics for executive session be listed on the agenda without any details. This would allow members to see what types of items are discussed in executive session. The Board agreed by consensus.

### 4. Appointment of Audit Committee

Don asked for volunteers to serve on the 2012 Audit Committee. Kent, Dave Gens and Dale volunteered. It was decided to add this responsibility to the Finance Committee.

Ardis moved to accept the Audit Committee volunteers as named. Second. Carried.

### 5. New District Boundaries

Engineering staff provided a system map of OCEC outlining proposed re-districting borders and member counts in each district. Currently; North District has 1,043 members, Central District has 877 members and the South district has 815 members.

The proposed redistricting count is; North District -904 members, Central District-871 members and South District-960 members. The new redistricting will even out the membership representation areas.

The proposed map shows where current directors are located. The only Director that is displaced would be Dick Garing who represents the Central District. His residence would be moved into the North District but by Board consensus he would be grandfathered into the Central District until he no longer serves on the Board.

Redistricting would put five (5) Directors living in the North District, two of whom are At-Large Directors representing all members (Don Hover and Ron Perrow). The other At-Large Director resides in the South District (Kent Hitch). Also proposed is to drop the 'North, Central and South' designations and rename them as 'District #1, District #2 and District #3.

Paul moved to adopt the redistricting map proposal as presented. Second. Carried.

#### 6. Discussion on number of Directors

David Gottula discussed research on how many Directors other Co-ops maintain on their Boards.

Discussion topics included: 7-Directors seem to be a common number, money could be saved with fewer to train, would 9-Directors provide more diversity of opinion than 7, and how would the members feel about it. Currently there are 3-committees, would 7-directors be willing to carry the load and should this sort of action be timed to coincide with an annual meeting.

David suggested a proposal to the members allowing the Board to change the Bylaws with a unanimous vote at their discretion, reducing the number of Directors appropriately when needed. The intent would be; change would only happen if there were a resignation or an unexpected change in the number of Directors.

Dale moved to table the discussion. Second. Carried.

#### 7. 2012 Budget Approval

David presented the 2012 Budget and reviewed the list of assumptions and risks.

Kent noted that David, Lynn and the finance committee had several meetings to put the budget together for presentation. This Budget is based on 2011 actuals with many items under review.

David Gens suggested the Budget be reviewed quarterly and also commented on our current fiscal year; January to January, and asked if it would be better to move to a July to June fiscal year.

Ron moved to accept the budget as presented. Second. Carried.

8. NRECA Voting delegate certification

No changes for 2012; Don is OCEC's current voting delegate and Kent Hitch is the alternate.

The NRECA Annual meeting is March 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup>. Don will be unable to attend so David Gottula and Kent Hitch will attend.

9. Selection of Vice President

David Gens requested to go into executive session before proceeding with this item.

Ardis suggested moving the Member Communication to the next item before going into executive session. Directors agreed by consensus.

**MEMBER COMMUNICATION**

Fred Wert addressed the Board regarding rate classes; residential, seasonal, small commercial, large commercial and irrigators. He questioned why OCEC has classes and are they efficient in regards to rate setting?

Duncan Bronson questioned whether David Gottula attending PNGC on a monthly basis was necessary time and budget expenditure. David responded that General Managers and PNGC are looking at alternatives such as attending the meetings via the Web but at this time it is felt that establishing the connection with other General Managers is important.

Shane Ruoss spoke to the COSA and rate setting. His concern is how a COSA study addresses retail cost of power, conservation objectives and 'fair and equitable' in regards to setting rates.

Mike Shirley spoke in favor of an advisory vote for member feedback on reducing Directors.

Pete DeLong commented on the COSA and Bylaw flexibility.

### **EXECUTIVE SESSION**

Dale moved to adjourn executive session at 10:36 am. Second. Carried.

Meeting was reconvened for Agenda Item number 10; Selection of Vice President.

Dick nominated Dale. Second. Pat nominated Paul. Second.

Ron moved to close the Vice President Nomination. Second. Carried.

Don called for the vote; Paul Taylor was elected to serve as Vice President.

Meeting adjourned to executive session.

Meeting adjourned at 11:53.

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Kent Hitch, Secretary