

BOARD OF DIRECTORS MEETING

March 26, 2018 at **3:00 PM**



AGENDA

1. Meeting Called to Order
2. Determination of Quorum
3. Approval of Agenda
4. Approval of Consent Agenda (**Tab 2**)
 - a) Minutes from February 26, 2018
 - b) New Members
 - c) February 2018 – Form 7
 - d) Statement of Operations
 - e) Cash Flow
 - f) Capital Expenditures by Project
 - g) Cap Ex / O&M Labor Distribution
 - h) Revolving Loan Fund
 - i) Power & Service Data
 - j) Outage Report
5. Committee Reports
6. Meetings Attended
 - a) PNGC Monthly Meeting – March 6th – Portland – David
7. Meetings to Attend
 - a) WRECA Legislative Committee – March 27th – Ritzville – David
 - b) PNGC Monthly Meeting – April 3th - Portland – David
 - c) PNGC Presentation on Transmission Issues – April 16th - 5 PM – Board and Staff

- d) OCEC Annual Meeting – April 16th - 7 PM – Board and Staff
- e) WRECA Annual Meeting - June 5 and 6th – Wenatchee (**Tab 3 Contains Hotel Reservations for the WRECA Annual Conference and the Latest WRECA Update**)

8. General Managers Report (Tab 4)

- 1) Office Update
- 2) Operations Update
- 3) Propane Update

ITEMS OF BUSINESS

- 1) Annual Meeting Update
- 2) Review of Audited Financials (**Tab 5**)
- 3) Approve Revised Policy 10-140 – Authority and Responsibility of General Manager and Board of Directors (**Tab 6 Contains Both Current Policy and the Proposed policy with Governance Committee Revisions Accepted and Comments by Legal in Blue**)
- 4) Delete Policy 10-050 - Authority and Responsibility of the Board of Directors (**Tab 7**)
- 5) Approve Resolutions:
 - a. 2018-01 Banking Resolution Farmers State Bank (**Tab 8**)
 - b. 2018-02 Banking Resolution North Cascades Bank (**Tab 9**)
- 6) Review Large Single Load Policy (**Tab 10**)
- 7) Review Possible By-Law Change for GM Residency

MEMBER COMMUNICATIONS

See Attached Correspondence (**Tab 11**)

EXECUTIVE SESSION

- 1) Review Subsidiary Audited Financials
- 2) Board Monitoring
- 3) Succession Planning Update



BOARD MEETING
February 26, 2018

Present: Curtis Edwards, Dale Sekijima, Sara Carlberg, John Kirner, Ray Peterson and Alan Watson.

Absent: Chuck Armstrong.

Attending: David Gottula; General Manager, Lynn Northcott; Office Manager/CFO, Tracy McCabe; OCEI Manager, Glenn Huber; Operations Manager, Deanna Melton; Staking Tech and Teri Parker; Office Staff.

Members in Attendance: None

PRELIMINARY

1. MEETING CALLED TO ORDER

President Curtis Edwards called the meeting of the Board of Directors of Okanogan County Electric Cooperative, Inc. (OCEC) to order at 3:00 pm.

2. DETERMINATION OF QUORUM

A quorum was present.

3. APPROVAL OF AGENDA

Curtis requested the addition of Item of No. 5 By-Law Change Discussion.

Agenda as amended approved by Board consensus.

4. APPROVAL OF CONSENT AGENDA ITEMS

Sara Carlberg requested Form 7 be pulled for discussion during Item No. 4 Budget Approval.

Consent Agenda as amended approved by Board consensus.

5. COMMITTEE REPORT

None.

6. MEETINGS ATTENDED

a. OCEC Nomination Committee – Jan 26th – David

David reported there are no additional candidates for the 2018 ballots. Alan Watson and Chuck Armstrong will run unopposed in 2018.

The Nominating Committee asked that in the future, if the Board is aware of a position becoming vacated, to give the Committee more advance notice to allow extra time to find a qualified nominee.

b. PNGC Monthly Meeting – Feb 6th – Portland - David

Discussion points included: Electric Loads/sales were down across the region for January 2018 and Co-ops are being approached about Bitcoin accounts. David reviewed PNGC's approach to Strategic Planning for the future.

c. WRECA Board Meeting and Meeting with State Legislators from 7th & 12th Districts – Feb 19th & 20th – Olympia - David

David reviewed the Legislative Revenue Forecast, the Carbon Tax bill vs. an Initiative and Net Metering incentives.

7. MEETINGS TO ATTEND

a. PNGC Monthly Meeting – March 6th – David

b. PNGC Presentation on Transmission Line Issues – April 16th – 5PM – Board & Staff

c. OCEC Annual Meeting – April 16th – 7PM – Board & Staff

d. WRECA Annual Meeting – June 5th & 6th – Wenatchee

8. GENERAL MANAGERS REPORT

Presented and reviewed.

On behalf of the Staff, David thanked the Board for the very nice card stating the Staff appreciated the thought.

David reviewed his vacation plans (beginning in April) and noted that Lynn Northcott will be in charge while he is gone.

1. Office Update

Lynn reported Mark Crum; IT, has been tracking our social media accounts: to date OCEC has 225 followers on Twitter and 732 members signed up for Text alerts. The March Newsletter will promote and encourage members to sign up for Text alerts. Texting is much faster and more efficient than Emails.

Lynn invited the Board to attend a Life Flight presentation for the Staff on March 29th at 9:30 AM.

2. Operations Update

Glenn Huber reported:

- We are changing our Safety Service Provider from Columbia REA to ESCI. This will be a \$600 a month savings.
- A Contractors Meeting sponsored by OCEC, was held at the Barn on Wednesday February 21st. The purpose of the meeting was to educate and help contractors understand processes and procedures of OCEC. It was a well-attended meeting. Okanogan County Energy Inc. also gave a presentation and answered questions.

3. OCEI Propane Update

Tracy reported that the warmer temperatures in January has slowed down deliveries and given her and staff time to work on promotions and projects. She is also training staff to take on more of the daily tasks that need done.

ITEMS OF BUSINESS

1. Change Board Meetings for May & December to May 21st & December 17th

Alan Watson moved to approve changing the Board Meeting dates as presented. Second. Carried.

2. Review of proposed 2018 Balanced Scorecard Goals

David presented the proposed 2018 goals and outlined the changes from 2017.

After the Board discussion 2-items were suggested to either be implemented or used as future goals: 1) Front Office Staff; keeping call logs to track the categories that may need to be addressed, and 2) Update our Web Design.

3. Annual Meeting Update

David presented the gift that OCEC will hand-out to the first 100 members to sign in at the Annual Meeting. It is a power cord 'cube' with USB ports and the OCEC Logo.

The program will include a presentation from Ray Peterson, Director, regarding the NEST Thermostat; Operation updates from OCEC and OCEI; a Q&A period; and Pie and Ice Cream by the American Legion Auxiliary Post #120.

4. Approval of 2018 Budget

David opened the discussion informing the Board of an increase in cost for a 2018 truck replacement/purchase. The truck will be ordered in 2018 but not delivered until 2019 and at a higher cost than budgeted in 2018 because of factory design and backlog.

Sara asked for clarification on Form 7: Interest on long-term debt.

Dale moved to accept the 2018 Financial Budget as presented. Second. Carried.

Sara moved to approve postponing the 2018 truck purchase to 2019 and to authorize David Gottula to sign the Purchase Order at \$190,000. Second. Carried.

5. Discussion of Proposed By-Law Change

Curtis opened the discussion referencing a previous suggestion to remove the requirement that the General Manager live in the OCEC service area.

Discussion points included: should a GM be required to live in the OCEC service area and be a member of the Cooperative; should the requirement be changed to a geographic limit or a mileage/time limit?

Board consensus is to table this discussion for future consideration – sometime in April or May.

The Board will present the By-Law suggested change at the 2018 Annual Meeting to get feedback on how the membership feels about this change.

MEMBER COMMUNICATION

No members present.

Meeting adjourned to executive session at 4:42 pm.

EXECUTIVE SESSION

1. Fiber Line
2. Review of 2018 Proposed Management Goals
3. Audit Follow-up
4. Board Monitoring
5. Benefits Benchmarking

Alan Watson, Secretary

New Members

March 26, 2018

Reinstate

1.

New Members

- | | |
|-------------------------------------------|--------|
| 1. ALLEN, MARK & DILLON, BREE | 118012 |
| 2. ERICSON, BRITT & MORLEY, JONATHAN | 118013 |
| 3. WINTHROP VILLAGE MARKET LLC | 118014 |
| 4. AADLAND, NANCY | 118015 |
| 5. LAFFERTY, EDWARD & KIMBERLEY | 118016 |
| 6. WYNN, DANIEL & VAN DER NET, JACQUELINE | 118017 |
| 7. GRAYSON, SHARON & TRUPIN, REMY | 118018 |
| 8. TAGGART, BARBARA N | 118019 |
| 9. PISEL, JENNA & TERRY | 118020 |
| 10. WILTERMOOD, ROBERT | 118021 |
| 11. FUCHS, MARLENE & NATE | 118022 |



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Okanogan County Electric Coop Inc
	BORROWER DESIGNATION	WA032
	ENDING DATE	2/28/2018

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION CHOICES
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.		A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA?
Signature of Office Manager or Accountant <i>[Signature]</i> Date 3/13/18 Signature of Manager <i>[Signature]</i> Date 3-13-18		<input checked="" type="radio"/> YES <input type="radio"/> NO <input checked="" type="radio"/> YES <input type="radio"/> NO

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	1,399,075	1,265,043	1,144,346	625,671
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	745,910	671,053	602,196	360,427
4. Transmission Expense	0	0	0	0
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	8,848	10,986	7,958	4,906
7. Distribution Expense - Maintenance	108,705	133,150	107,102	62,596
8. Consumer Accounts Expense	47,067	44,606	54,517	18,419
9. Customer Service and Informational Expense	2,990	3,168	2,916	2,355
10. Sales Expense	1,766	471	0	(274)
11. Administrative and General Expense	198,401	145,976	133,521	51,358
12. Total Operation & Maintenance Expense (2 thru 11)	1,113,687	1,009,408	908,210	499,787
13. Depreciation & Amortization Expense	61,444	63,456	65,780	31,717
14. Tax Expense - Property & Gross Receipts	6,843	7,394	7,188	3,766
15. Tax Expense - Other	42,404	38,061	28,917	18,169
16. Interest on Long-Term Debt	35,676	36,271	33,629	18,136
17. Interest Charged to Construction (Credit)	(424)	0	0	0
18. Interest Expense - Other	0	0	0	0
19. Other Deductions	0	0	0	0
20. Total Cost of Electric Service (12 thru 19)	1,259,630	1,154,591	1,043,723	571,574
21. Patronage Capital & Operating Margins (1 minus 20)	139,445	110,451	100,623	54,097
22. Non Operating Margins - Interest	1,407	1,442	1,590	444
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	1,148	0	1,148
25. Non Operating Margins - Other	3,000	3,000	3,000	1,500
26. Generation & Transmission Capital Credits	0	0	0	0
27. Other Capital Credits & Patronage Dividends	0	0	0	0
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	143,852	116,041	105,213	57,189

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	1	0	5. Miles Transmission	0	0
2. Services Retired	0	3	6. Miles Distribution Overhead	301	302
3. Total Services In Place	3,671	3,732	7. Miles Distribution Underground	210	212
4. Idle Services (Exclude Seasonal)	109	106	8. Total Miles Energized (5+6+7)	511	514



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Okanogan County
	BORROWER DESIGNATION	WA032
	ENDING DATE	02/28/2018

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	13,707,575	29. Memberships	15,930
2. Construction Work in Progress	252,095	30. Patronage Capital	7,371,387
3. Total Utility Plant (1+2)	13,959,669	31. Operating Margins - Prior Years	888,188
4. Accum. Provision for Depreciation and Amort	4,458,951	32. Operating Margins - Current Year	113,041
5. Net Utility Plant (3-4)	9,500,719	33. Non-Operating Margins	3,000
6. Nonutility Property - Net	0	34. Other Margins & Equities	474,281
7. Investment in Subsidiary Companies	662,742	35. Total Margins & Equities (29 thru 34)	8,865,826
8. Invest. in Assoc. Org. - Patronage Capital	324,776	36. Long-Term Debt CFC (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	37. Long-Term Debt - Other (Net)	3,499,464
10. Invest in Assoc. Org. - Other - Nongeneral Funds	147,136	38. Total Long-Term Debt (36 + 37)	3,499,464
11. Investments in Economic Development Projects	0	39. Obligations Under Capital Leases - Non current	0
12. Other Investments	13,500	40. Accumulated Operating Provisions - Asset Retirement Obligations	0
13. Special Funds	0	41. Total Other Noncurrent Liabilities (39+40)	0
14. Total Other Property & Investments (6 thru 13)	1,148,154	42. Notes Payable	0
15. Cash-General Funds	676,109	43. Accounts Payable	443,541
16. Cash-Construction Funds-Trustee	0	44. Consumers Deposits	148,345
17. Special Deposits	113,057	45. Current Maturities Long-Term Debt	0
18. Temporary Investments	138,460	46. Current Maturities Long-Term Debt-Economic Dev.	0
19. Notes Receivable - Net	0	47. Current Maturities Capital Leases	0
20. Accounts Receivable - Net Sales of Energy	667,098	48. Other Current & Accrued Liabilities	327,592
21. Accounts Receivable - Net Other	762,106	49. Total Current & Accrued Liabilities (42 thru 48)	919,479
22. Renewable Energy Credits	0	50. Deferred Credits	0
23. Materials & Supplies - Electric and Other	248,346	51. Total Liabilities & Other Credits (35+38+41+49+50)	13,284,769
24. Prepayments	29,753	ESTIMATED CONTRIBUTION-IN-AID-OF-CONSTRUCTION	
25. Other Current & Accrued Assets	966	Balance Beginning of Year	0
26. Total Current & Accrued Assets (15 thru 25)	2,635,896	Amounts Received This Year (Net)	1,454
27. Deferred Debits	0	TOTAL Contributions-In-Aid-Of-Construction	1,454
28. Total Assets & Other Debits (5+14+26+27)	13,284,769		

PART D. THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

OKANOGAN COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENT OF OPERATIONS

February 28, 2018

	ANNUAL BUDGET	Y-T-D BUDGET	Y-T-D ACTUAL	MONTH BUDGET	MONTH ACTUAL
OPERATING REVENUE	\$5,501,400	\$1,144,346	\$1,265,043	\$498,789	\$625,671
COST OF POWER	\$2,710,581	\$602,196	\$671,053	\$267,824	\$360,427
GROSS MARGINS	\$2,790,819	\$542,150	\$593,990	\$230,965	\$265,244
OPERATING EXPENSES:					
DISTRIBUTION OPERATIONS	\$69,955	\$7,958	\$10,986	\$3,806	\$4,906
DISTRIBUTION MAINTENANCE	\$574,972	\$107,102	\$133,150	\$42,214	\$62,596
CONSUMER ACCOUNTING	\$299,885	\$54,517	\$44,606	\$22,207	\$18,419
CONSUMER SERVICE & INFO	\$5,700	\$2,916	\$3,168	\$1,311	\$2,355
SALES EXPENSE	\$0	\$0	\$471	\$0	-\$274
ADMIN & GENERAL	\$674,637	\$133,521	\$145,976	\$54,032	\$51,358
<i>TOTAL OPERATING EXPENSES</i>	\$1,625,149	\$306,014	\$338,355	\$123,570	\$139,360
FIXED EXPENSES:					
DEPRECIATION	\$394,680	\$65,780	\$63,456	\$32,890	\$31,717
TAXES-PROPERTY	\$43,128	\$7,188	\$7,394	\$3,594	\$3,766
TAXES-OTHER	\$185,500	\$28,917	\$38,061	\$14,458	\$18,169
INTEREST	\$201,772	\$33,629	\$36,271	\$16,814	\$18,136
OTHER DEDUCTIONS	\$0	\$0	\$0	\$0	\$0
<i>TOTAL FIXED EXPENSES</i>	\$825,080	\$135,513	\$145,183	\$67,757	\$71,787
TOTAL EXPENSES	\$2,450,229	\$441,527	\$483,539	\$191,327	\$211,147
OPERATING MARGINS	\$340,590	\$100,623	\$110,451	\$39,638	\$54,097
NONOPERATING MARGINS:					
INTEREST	\$51,154	\$1,590	\$2,590	\$795	\$1,592
OTHER	\$18,000	\$3,000	\$3,000	\$1,500	\$1,500
NET MARGINS	\$409,744	\$105,213	\$116,041	\$41,933	\$57,189
T.I.E.R.	3.03	4.13	4.20	3.49	4.15

Okanogan County Electric Cooperative Inc
Budget Year: 2018

	Budget year		Actual		Forecasted									
	2017	Jan - Dec	January	February	March	April	May	June	July	August	September	October	November	December
Patronage Capital or Margins	\$0	\$409,744	\$58,852	\$57,189	\$9,447	(\$21,567)	\$27,800	(\$8,433)	\$11,037	(\$3,268)	\$53,114	(\$25,672)	\$112,177	\$149,896
Plus Depreciation Expense	\$0	\$394,680	\$31,740	\$31,717	\$32,890	\$32,890	\$32,890	\$32,890	\$32,890	\$32,890	\$32,890	\$32,890	\$32,890	\$32,890
Less Capital Credit Allocations	\$0	\$0	(\$29)	(\$751)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plus FAS 158 Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total (Funds From Operations)	\$0	\$804,424	\$90,563	\$88,155	\$42,337	\$11,323	\$60,690	\$24,457	\$43,927	\$29,622	\$86,004	\$7,218	\$145,067	\$182,786
Cash Construction Funds - Trustee	\$0	\$0												
Special Deposit	\$0	(\$76,899)	(\$5,575)	(\$7,241)	(\$6,408)	(\$6,408)	(\$6,408)	(\$6,408)	(\$6,408)	(\$6,408)	(\$6,408)	(\$6,408)	(\$6,408)	(\$6,408)
Temporary Investment	\$0	\$0												
Accounts Receivable - Sale of Energy (Net)	\$0	\$30,158	\$113,538	\$1,368	\$75,180	\$53,071	(\$28,562)	\$17,202	(\$21,852)	\$18,420	\$4,282	\$10,106	(\$188,438)	(\$121,979)
Accounts Receivable - Other (Net)	\$0	\$137,184	\$24,009	(\$18,747)	\$11,278	\$7,405	\$7,405	\$11,312	\$7,405	\$7,405	\$11,345	\$7,405	\$7,405	\$40,985
Regulatory Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Debits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepayments	\$0	\$0	(\$32,729)	\$2,976	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current & Accrued Asset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Increase)/Decrease in Operating Assets	\$0	\$894,867	\$99,243	(\$21,644)	\$80,050	\$54,068	(\$27,565)	\$22,106	(\$20,855)	\$19,417	\$9,219	\$11,103	(\$187,441)	(\$87,402)
Notes Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Payable	\$0	\$0	\$29,509	(\$50,356)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Operating Provisions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Regulatory Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Deferred Credits	\$0	\$0	(\$45,076)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current and Accrued Liabilities	\$0	(\$40,797)	\$27,839	\$31,381	\$0	\$0	(\$13,599)	(\$13,599)	(\$13,599)	\$0	\$0	\$0	\$0	\$0
Increase/(Decrease) in Operating Liabilities	\$0	(\$40,797)	\$12,272	(\$18,975)	\$0	\$0	(\$13,599)	(\$13,599)	(\$13,599)	\$0	\$0	\$0	\$0	\$0
CASH FROM OPERATING ACTIVITIES	\$0	\$854,070	\$202,078	\$47,535	\$122,387	\$65,391	\$19,526	\$32,964	\$9,473	\$49,039	\$95,223	\$18,321	(\$42,374)	\$95,384
INVESTMENT ACTIVITIES														
Total Utility Plant	\$0	(\$863,521)	(\$360,896)	\$44,051	(\$78,556)	(\$126,123)	(\$97,241)	(\$96,002)	(\$81,703)	(\$52,852)	(\$63,646)	(\$52,212)	(\$52,147)	(\$55,768)
Cost to Retire Utility Plant	\$0	\$0	\$521	\$7,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Construction Work-in-Progress	\$0	\$0	\$202,273	(\$36,843)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contributions in aid of construction (CIAC)	\$0	\$277,356	\$1,152	\$302	\$20,000	\$20,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$20,000	\$13,678
Total Other Property and Investments	\$0	\$0	\$247	(\$762)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials & Supplies - Electric and Other	\$0	\$0	(\$1,394)	\$113	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Notes Receivable (Net)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH FROM INVESTMENT ACTIVITIES	\$0	(\$586,165)	(\$158,097)	\$14,361	(\$58,556)	(\$106,123)	(\$67,241)	(\$66,002)	(\$51,703)	(\$22,852)	(\$33,646)	(\$22,212)	(\$32,147)	(\$42,090)
FINANCING ACTIVITIES														
Margins & Equities	\$0	(\$200,000)												(\$200,000)
LT Debt - Additional Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LT Debt - Debt Service Payment	\$0	(\$132,239)	\$0	\$0	(\$32,316)	\$0	\$0	(\$32,807)	\$0	\$0	(\$33,305)	\$0	\$0	(\$33,811)
LT Debt - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LT Debt	\$0	(\$132,239)	\$0	\$0	(\$32,316)	\$0	\$0	(\$32,807)	\$0	\$0	(\$33,305)	\$0	\$0	(\$33,811)
LT Debt - Payments Unapplied	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LT Debt - Current maturities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Consumer Membership	\$0	\$0	\$20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Consumers Deposits	\$0	\$0	\$1,250	(\$1,432)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH FROM FINANCING ACTIVITIES	\$0	(\$332,239)	\$1,270	(\$1,432)	(\$32,316)	\$0	\$0	(\$32,807)	\$0	\$0	(\$33,305)	\$0	\$0	(\$233,811)
CASH FROM ALL ACTIVITIES	\$0	(\$64,334)	\$45,252	\$60,464	\$31,515	(\$40,732)	(\$47,715)	(\$65,845)	(\$42,230)	\$26,187	\$28,272	(\$3,891)	(\$74,521)	(\$180,517)
TOTAL CASH BEGINNING OF PERIOD	\$570,393	\$570,393	\$570,393	\$615,645	\$676,109	\$707,624	\$666,892	\$619,177	\$553,332	\$511,102	\$537,289	\$565,561	\$561,670	\$487,149
TOTAL CASH END OF PERIOD	\$570,393	\$506,059	\$615,645	\$676,109	\$707,624	\$666,892	\$619,177	\$553,332	\$511,102	\$537,289	\$565,561	\$561,670	\$487,149	\$306,632

Okanogan County Electric Cooperative Inc
Capital Expenditures by Project
Feb-18

	Actual	Current Month		Actual	Year to Date		Annual Budget	Annual Balance
		Budget	Variance		Budget	Variance		
Member Requested Facilities	0.00	8,039.00	8,039.00	0.00	8,039.00	8,039.00	200,983.00	200,983.00
Replacements (Poles & Transformers)	9,805.93	12,984.00	3,178.07	19,774.35	19,819.00	44.65	103,872.00	84,097.65
OCEC Projects:	0.00	0.00	0.00	0.00	0.00	0.00	62,675.00	62,675.00
Replace 2500' of URD at Stud Horse - Part 2	0.00	0.00	0.00	0.00	0.00	0.00	49,718.00	49,718.00
Replace 2500' of URD at Edelweiss - Part 1	0.00	0.00	0.00	0.00	0.00	0.00	57,957.00	57,957.00
Convert 3500' of OH to URD at Bear Crk	0.00	0.00	0.00	0.00	0.00	0.00	41,859.00	41,859.00
Replace 3000' of URD at Davis Lake	0.00	0.00	0.00	0.00	0.00	0.00	50,718.00	50,718.00
Metering projects -upgrades	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pole Inspections	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
Fire Retardant/Treatment on Poles	0.00	0.00	0.00	0.00	0.00	0.00	17,479.00	17,479.00
Test/Rebuild 2 sets of Regulators Sub	0.00	0.00	0.00	0.00	0.00	0.00	32,791.00	32,791.00
Paint/protect crew hallway	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	5,000.00
Redo Asphalt in front & back, fix drain	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00	25,000.00
Major Storm Damage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
subtotal	9,805.93	21,023.00	11,217.07	19,774.35	27,858.00	8,083.65	658,052.00	638,277.65
Un Allocated Overhead	46,000.00			46,000.00	0.00	(46,000.00)		
Member CIAC				*				
CIAC	(301.91)	(10,000.00)	9,698.09	(1,453.91)	(23,678.00)	22,224.09	(277,356.00)	(275,902.09)
Total less CIAC	55,504.02			64,320.44				
							* \$10,359.65 holding in CIAC 02/28/18	
Meters Purchases	0.00	0.00	0.00	0.00	0.00	0.00	20,000.00	20,000.00
Computers & Software Upgrades	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	5,000.00
Transformers Purchases	80,685.84	70,000.00	(10,685.84)	80,685.84	70,000.00	(10,685.84)	70,000.00	(10,685.84)
Vehicle Replacement	0.00	0.00	0.00	0.00	0.00	0.00	135,000.00	135,000.00
Total	136,189.86	81,023.00		145,006.28	74,180.00		230,000.00	149,314.16
Total Capital Budget less CIAC							610,696.00	465,689.72

* Note

	Line Crew Direct Labor	Materials	107.25 Labor	Consultants Contractors	Transportation	Benefits	Total
January	2,086.84	0.00	3,436.90	0.00	2,424.24	2,020.44	9,968.42
February	2,963.79		3,041.61		1,617.04	2,183.49	9,805.93
March							
April							
May							
June							
July							
August							
September							
October							
November							
December							
	5,050.63	0.00	6,478.51	0.00	4,041.28	4,203.93	19,774.35

* Note: 107.25 is Capitalized Labor that includes: cost estimates, line staking, development & research for construction projects that no work order has been established. Along with Stores account 163.00 material stocking.

Okanogan County Electric Cooperative Inc
Capital Expenditures by Project

Feb-18

W.O. #	Monthly Allocation	Contractor	Labor	Labor O/H	AP Vendor & Material	Material O/H	Material Retire/Scrap	Benefits	Trans	Total
12092	5,332.96	8	1,344.90	1,380.21				990.81	1,617.04	5,332.96
12103	4,472.97	8	1,618.89	1,661.40				1,192.68		4,472.97
	0.00	8								0.00
	9,805.93	0.00	2,963.79	3,041.61	0.00	0.00	0.00	2,183.49	1,617.04	9,805.93

7 Member Requested Facilities

8 Replacements (Poles & Transformers)

OCEC Projects:

9 Replace 2500' of URD at Stud Horse - Part 2

10 Replace 2500' of URD at Edelweiss - Part 1

11 Convert 3500' of OH to URD at Bear Crk

12 Replace 3000' of URD at Davis Lake

13 Metering projects -upgrades

14 Pole Inspections

15 Fire Retardant/Treatment on Poles

16 Test/Rebuild 2 sets of Regulators Sub

17 Paint/protect crew hallway

18 Redo Asphalt in front & back, fix drain

19 Major Storm Damage

OCEC Work Orders

8	12092	OCEC - Temp Disconnect 2018	5,332.96
8	12103	OCEC - Mazama Upgrade	4,472.97
			0.00
			9,805.93

CApEx/O&M Labor Distribution

Labor is split between Capital and O&M based on work performed. The following is a comparison between how labor was split.

1) YTD Actual 2018 2) YTD Budget 2018 3) YTD Actual 2017

Capitalization in Percentage

Labor Capitalized	Jan	Feb	March	April	May	June	July	August	September	October	November	December	YTD
2018 Actual	2%	4%											3%
2018 Budget	3%	12%	15%	15%	35%	37%	41%	37%	37%	37%	15%	3%	24%
2017 Actual	1%	1%	2%	8%	22%	29%	35%	49%	55%	41%	43%	12%	25%

Capitalization in Dollars

Capitalization in Dollars

Capitalization in Dollars	Jan	Feb	March	April	May	June	July	August	September	October	November	December	YTD
2018 Work Order Actual	\$ 2,087	\$ 2,964						\$ -	\$ -	\$ -	\$ -	\$ -	
2018 Budget	\$ 3,611	\$ 11,284	\$ 13,541	\$ 13,541	\$ 31,595	\$ 33,851	\$ 37,462	\$ 33,851	\$ 33,851	\$ 33,851	\$ 13,541	\$ 3,159	\$ 263,138
2017 Actual	\$ 1,648	\$ 436	\$ 1,992	\$ 6,742	\$ 21,066	\$ 25,337	\$ 31,850	\$ 47,668	\$ 49,075	\$ 39,586	\$ 39,459	\$ 10,259	\$ 275,119

O&M Labor Expensed

O&M Expense in Percentage

O&M Labor Expensed	Jan	Feb	March	April	May	June	July	August	September	October	November	December	YTD
2018 Actual	98%	96%											
2018 Budget	97%	88%	85%	85%	65%	63%	59%	63%	63%	63%	85%	97%	76%
2017 Actual	99%	99%	98%	92%	78%	71%	65%	51%	45%	59%	77%	88%	77%

O&M Expense in Dollars

O&M Expense in Dollars	Jan	Feb	March	April	May	June	July	August	September	October	November	December	YTD
2018 Actual	\$ 133,917	\$ 81,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,534
2018 Budget	\$ 131,896	\$ 70,236	\$ 75,888	\$ 72,552	\$ 61,788	\$ 51,623	\$ 54,649	\$ 62,333	\$ 50,115	\$ 62,333	\$ 78,570	\$ 84,880	\$ 856,863
2016 Actual	\$ 125,143	\$ 82,097	\$ 88,798	\$ 77,316	\$ 74,643	\$ 60,689	\$ 58,310	\$ 48,695	\$ 39,823	\$ 56,821	\$ 52,041	\$ 77,734	\$ 842,110

Total Labor YTD	2018	\$ 136,004	\$ 84,581										\$ 220,585	
Total Labor YTD	2017	\$ 126,790	\$ 82,533	\$ 90,790	\$ 84,058	\$ 95,709	\$ 86,026	\$ 90,161	\$ 96,363	\$ 88,898	\$ 96,407	\$ 91,500	\$ 87,993	\$ 1,117,229

OKANOGAN COUNTY ELECTRIC COOPERATIVE INC
REVOLVING LOAN FUND #1
MONTHLY REPORT

For the Month Ending
February 28, 2018

Beginning RLF Balance		\$54,190.50
LOUP LOUP SKI ED FOUNDATION LOAN #2		
PAYOFF AUGUST 01, 2019	MONTH	TO DATE
PAYMENTS RECEIVED	\$425.00	\$46,000.36
ADMINISTRATIVE FEE (1%)	\$8.33	\$2,666.68
PRINCIPLE PAYMENT TO LOAN	\$416.67	\$43,333.67
ORIGINAL AMOUNT OF LOAN		\$50,000.00
BALANCE REMAINING ON LOANS		\$6,666.33
LOUP LOUP SKI ED FOUNDATION LOAN #3		
PAYOFF OCTOBER 01, 2024	MONTH	TO DATE
PAYMENTS RECEIVED	\$445.83	\$18,512.49
ADMINISTRATIVE FEE (1%)	\$29.16	\$1,429.02
PRINCIPLE PAYMENT TO LOAN	\$416.67	\$17,083.47
ORIGINAL AMOUNT OF LOAN		\$50,000.00
BALANCE REMAINING ON LOANS		\$32,916.53
TOWN OF TWISP		
PAYOFF AUGUST 01, 2019	MONTH	TO DATE
PAYMENTS RECEIVED	\$79.05	\$7,136.89
ADMINISTRATIVE FEE (1%)	\$2.30	\$458.34
PRINCIPLE PAYMENT TO LOAN	\$76.75	\$6,677.01
ORIGINAL AMOUNT OF LOAN		\$9,210.00
BALANCE REMAINING ON LOANS		\$2,532.99
MVSTA LOAN #2		
PAYOFF JULY 01, 2022	MONTH	TO DATE
PAYMENTS RECEIVED	\$875.00	\$62,729.72
ADMINISTRATIVE FEE (1%)	\$41.67	\$4,396.62
PRINCIPLE PAYMENT TO LOAN	\$833.33	\$57,499.77
ORIGINAL AMOUNT OF LOAN		\$100,000.00
BALANCE REMAINING ON LOANS		\$42,500.23
MEDICINE WHEEL WEB DESIGN		
PAYOFF OCTOBER 01, 2024	MONTH	TO DATE
PAYMENTS RECEIVED	\$510.00	\$21,260.00
ADMINISTRATIVE FEE (1%)	\$10.00	\$770.00
PRINCIPLE PAYMENT TO LOAN	\$500.00	\$20,500.00
ORIGINAL AMOUNT OF LOAN		\$30,000.00
BALANCE REMAINING ON LOANS		\$9,500.00
TOWN OF WINTHROP		
PAYOFF NOVEMBER 01, 2027	MONTH	TO DATE
PAYMENTS RECEIVED	\$870.83	\$2,612.49
ADMINISTRATIVE FEE (1%)	\$79.17	\$237.51
PRINCIPLE PAYMENT TO LOAN	\$791.67	\$2,375.01
ORIGINAL AMOUNT OF LOAN		\$95,000.00
BALANCE REMAINING ON LOANS		\$92,624.99
TOTAL BALANCE REMAINING ON LOANS		\$186,741.07
ENDING RLF BALANCE		\$58,058.93

OKANOGAN COUNTY ELECTRIC COOPERATIVE INC
REVOLVING LOAN FUND #2
MONTHLY REPORT

For the Month Ending
February 28, 2018

Beginning RLF Balance	\$51,625.19	
AERO RESCUE		
PAYOFF NOVEMBER 1, 2020	MONTH	TO DATE
PAYMENTS RECEIVED	\$2,060.00	\$188,000.00
ADMINISTRATIVE FEE (1%)	\$60.00	\$12,000.00
PRINCIPLE PAYMENT TO LOAN	\$2,000.00	\$176,000.00
ORIGINAL AMOUNT OF LOAN		\$240,000.00
BALANCE REMAINING ON LOANS		\$64,000.00
TOWN OF WINTHROP LOAN #2		
PAYOFF JUNE 01, 2022	MONTH	TO DATE
PAYMENTS RECEIVED	\$179.37	\$12,504.84
ADMINISTRATIVE FEE (1%)	\$8.54	\$888.40
PRINCIPLE PAYMENT TO LOAN	\$170.83	\$11,616.44
ORIGINAL AMOUNT OF LOAN		\$20,500.00
BALANCE REMAINING ON LOANS		\$8,883.56
MVSTA LOAN #3		
PAYOFF OCTOBER 01, 2024	MONTH	TO DATE
PAYMENTS RECEIVED	\$624.16	\$25,857.06
ADMINISTRATIVE FEE (1%)	\$40.83	\$2,105.85
PRINCIPLE PAYMENT TO LOAN	\$583.33	\$23,916.53
ORIGINAL AMOUNT OF LOAN		\$70,000.00
BALANCE REMAINING ON LOANS		\$46,083.47
PINETOOTH CREATIVE		
PAYOFF July 01, 2026	MONTH	TO DATE
PAYMENTS RECEIVED	\$84.25	\$1,612.51
ADMINISTRATIVE FEE (1%)	\$6.96	\$143.02
PRINCIPLE PAYMENT TO LOAN	\$77.29	\$1,469.49
ORIGINAL AMOUNT OF LOAN		\$9,275.00
BALANCE REMAINING ON LOANS		\$7,805.51
EQPD		
PAYOFF February 01, 2027	MONTH	TO DATE
PAYMENTS RECEIVED	\$297.92	\$3,675.04
ADMINISTRATIVE FEE (1%)	\$27.08	\$324.98
PRINCIPLE PAYMENT TO LOAN	\$270.84	\$3,250.06
ORIGINAL AMOUNT OF LOAN		\$32,500.00
BALANCE REMAINING ON LOANS		\$29,249.94
Little Star Montessorri School		
PAYOFF February 01, 2027	MONTH	TO DATE
PAYMENTS RECEIVED	\$297.92	\$3,872.56
ADMINISTRATIVE FEE (1%)	\$27.09	\$352.17
PRINCIPLE PAYMENT TO LOAN	\$270.83	\$3,520.79
ORIGINAL AMOUNT OF LOAN		\$32,500.00
BALANCE REMAINING ON LOANS		\$28,979.21
ENDING RLF BALANCE	\$54,998.31	

OKANOGAN COUNTY ELECTRIC COOPERATIVE, INC.

POWER & SERVICE DATA

February-18

	November 2017	December 2017	January 2018	February 2018	February 2017
POWER DATA:					
COST OF POWER	\$194,186	\$339,203	\$310,626	\$360,427	\$333,045
KWH PURCHASED	6,039,500	8,870,180	7,789,025	7,309,665	7,558,410
KWH SOLD & OCEC USE	5,526,863	8,348,306	7,308,362	6,859,122	7,109,671
KWH LOST	512,637	521,874	480,663	450,543	448,739
LINE LOSS %	8.49%	5.88%	6.17%	6.16%	5.94%
COST PER KWH	\$0.0322	\$0.0382	\$0.0399	\$0.0493	\$0.0441
BILLING DATA:					
ACCOUNTS BILLED	3,545	3,537	3,539	3,536	3,469
AVG. KWH/CONSUMER	1,559	2,360	2,065	1,940	2,049
BILLING REVENUE	\$510,769	\$708,947	\$636,810	\$613,212	\$619,125
AVERAGE BILL	\$144.08	\$200.44	\$179.94	\$173.42	\$178.47
REVENUE/KWH SOLD	\$0.0924	\$0.0849	\$0.0871	\$0.0894	\$0.0871
SERVICE DATA:					
NEW	11	4	0	0	0
RETIRED	0	4	2	1	0
TOTAL END OF MONTH	3735	3735	3733	3732	3671
IDLE SERVICES	105	105	106	106	109
TRANSPORTATION:					
TOTAL MILES	5,824	4,659	3,807	6,224	4,441
COST OF OPERATION	\$18,906	\$21,429	\$20,390	\$18,958	\$18,774
AVG. COST PER MILE	\$3.246	\$4.599	\$5.356	\$3.046	\$4.227
MATERIALS:					
ISSUES	\$31,710	\$55,355	\$466	\$113	\$0
INVENTORY	\$287,977	\$247,065	\$248,459	\$248,346	\$273,208

OCEC 2018 Outage
Summary

Substation	Power Supply Int.	Major	Planned Int.	All Other Int.	Feeder Total Hours Out	% of Total	Total # of Meters	# of Meters w/ outage	SAIDI	SAIFI	CAIDI
Winthrop Substation (1)	11,832	-	-	6,110	17,938	87.9%	2958	5092	6.064	1.721	3.524
Feeder 1 = Chewuch	2,360	-	-	169	2,529	12.4%	590	744	4.286	1.261	3.399
Feeder 2 = Mazama	3,764	-	-	5,929	9,693	47.5%	941	2894	10.300	3.075	3.349
Feeder 3 = Sun Mtn	2,984	-	-	4	2,988	14.6%	746	749	4.006	1.004	3.990
Feeder 4 = Winthrop	2,724	-	-	8	2,732	13.4%	681	705	4.012	1.035	3.875
Twisp Substation (2)	2,456	-	-	11	2,467	12.1%	614	620	4.018	1.010	3.979
Feeder 1 = Airport	112	-	-	-	112	0.5%	28	28	4.000	1.000	4.000
Feeder 2 = Loup	776	-	-	-	776	3.8%	194	194	4.000	1.000	4.000
Feeder 3 = Twisp	1,568	-	-	11	1,579	7.7%	392	398	4.028	1.015	3.967
Totals					20,405		3572	5712	5.713	1.599	3.57
CFC Summary	240	-	-	102.82							

SAIDI = Defined as sum of customer interruption durations divided by the total # of customers served
SAIFI = Defined as total number of customers interrupted divided by the total numbers of customers served
CAIDI = Defined as the average amount of time that a customer is without power for a typical interruption
ASAI = Total minutes during reported time frame divided by total minutes power was available

NUMBER OF OUTAGES = 19

Interruption: a loss of electricity for any period longer than 5 minutes
Power supply interruption: any interruption originating from the transmission system, sub-transmission system, or the substation regardless of ownership
Planned interruption: any interruption scheduled by the distribution system to safely perform routine maintenance
All other interruptions: all excluding power supply, major event, and those that are planned

Major Event: an interruption or group of interruptions caused by conditions that exceed the design & operational limits of a system. (IEEE 1366-2003 / RUS 1730a - Exhibit E).

OCEC 2018 Outage
Summary By Cause

SUMMARY BY CAUSE													
POWER SUPPLY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
LARGE SCALE	-	-	-	-	-	-	-	-	-	-	-	-	-
OK PUD	14,288	-	-	-	-	-	-	-	-	-	-	-	14,288
OCEC SUB	-	-	-	-	-	-	-	-	-	-	-	-	-
PLANNED													TOTAL
CONSTRUCTION	-	-	-	-	-	-	-	-	-	-	-	-	-
MAINTENANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER PLANNED	-	-	-	-	-	-	-	-	-	-	-	-	-
EQUIPMENT OR INSTALLATION DESIGN													TOTAL
MATERIAL OR EQUIP FAILURE	-	-	4,123	-	-	-	-	-	-	-	-	-	4,123
INSTALLATION FAULT	-	-	-	-	-	-	-	-	-	-	-	-	-
CONDUCTOR SAG OR INADEGUATE CLEARANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
OVERLOAD	-	-	-	-	-	-	-	-	-	-	-	-	-
MISCOORDINATION OF PROTECTION DEVICES	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER EQUIPMENT INSTALLATION / DESIGN	-	-	120	-	-	-	-	-	-	-	-	-	120
MAINTENANCE													TOTAL
DECAY / AGE OF MATERIAL / EQUIP	-	-	-	-	-	-	-	-	-	-	-	-	-
CORROSION / ABRASION OR MATERIAL / EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-
TREE GROWTH	-	-	-	-	-	-	-	-	-	-	-	-	-
TREE FAILURE FROM OVERHAND OR DEAD TREE WITHOUT	-	-	-	-	-	-	-	-	-	-	-	-	-
TREES WITH ICE / SNOW	-	-	-	-	-	-	-	-	-	-	-	-	-
CONTAMINATION (LEAKING / EXTERNAL)	-	-	-	-	-	-	-	-	-	-	-	-	-
MOISTURE	-	-	-	-	-	-	-	-	-	-	-	-	-
OCEC CREW CUTS TREE	-	-	-	-	-	-	-	-	-	-	-	-	-
MAINTENANCE, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-
WEATHER													TOTAL
LIGHTNING	-	-	-	-	-	-	-	-	-	-	-	-	-
WIND NOT TREE	-	-	-	-	-	-	-	-	-	-	-	-	-
ICE, SLEET, FROST, NOT TREE	-	-	-	-	-	-	-	-	-	-	-	-	-
FLOOD	-	-	-	-	-	-	-	-	-	-	-	-	-
WEATHER OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-
ANIMALS													TOTAL
SMALL ANIMAL / BIRD	-	0	-	-	-	-	-	-	-	-	-	-	0
LARGE ANIMAL	-	-	-	-	-	-	-	-	-	-	-	-	-
ANIMAL DAMAGE - GNAW OR BORE	-	-	-	-	-	-	-	-	-	-	-	-	-
ANIMAL , OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-

OCEC 2018 Outage
Summary By Cause

SUMMARY BY CAUSE														
PUBLIC													TOTAL	
CUSTOMER CAUSED	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MOTOR VEHICLE	-	-	1,802	-	-	-	-	-	-	-	-	-	-	1,802
AIRCRAFT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FIRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC CUTS TREE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VANDALISM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SWITCHING ERROR OR CAUSED BY CONSTRUCTION / MAINTENANCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER													TOTAL	
OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNKNOWN													TOTAL	
CAUSE UNKNOWN	57	-	19	-	-	-	-	-	-	-	-	-	-	76

****Cause listing shows total number of HOURS for all members out of power:
(minutes of outage * number of members effected)/60**

OCEC 2018 Outage
Detailed Summary By Cause

DETAILED SUMMARY BY CAUSE														
GENERATION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
GEN-GENERATION	-	-	-	-	-	-	-	-	-	-	-	-	-	
GEN-TOWERS, POLES, FIXTURES	-	-	-	-	-	-	-	-	-	-	-	-	-	
GEN-CONDUCTORS AND DEVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	
GEN-TRANSMISSION SUB	14,288	-	-	-	-	-	-	-	-	-	-	-	14,288	
GEN-GENERATION OR TRANSMISSION, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTALS:	14,288												14,288	
DISTRIBUTION SUBSTATION														
DIST-POWER TRANSFORMER	-	-	-	-	-	-	-	-	-	-	-	-	-	
DIST-VOLTAGE REGULATOR	-	-	-	-	-	-	-	-	-	-	-	-	-	
DIST-LIGHTNING ARRESTER	-	-	4,123	-	-	-	-	-	-	-	-	-	4,123	
DIST-SOURCE SIDE FUSE	-	-	-	-	-	-	-	-	-	-	-	-	-	
DIST-CIRCUIT BREAKER	-	-	-	-	-	-	-	-	-	-	-	-	-	
DIST-SWITCH	-	-	-	-	-	-	-	-	-	-	-	-	-	
DIST-METERING EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	
DIST-DISTRIBUTION SUBSTATION , OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTALS:	-												4,123	
POLES AND FIXTURES														
POL-POLES	-	-	-	-	-	-	-	-	-	-	-	-	-	
POL-CROSSARM OR CROSSARM BRACE	-	-	-	-	-	-	-	-	-	-	-	-	-	
POL-ANCHOR OR GUY	-	-	-	-	-	-	-	-	-	-	-	-	-	
POL-POLES AND FIXTURES, OTHER	-	-	113	-	-	-	-	-	-	-	-	-	113	
TOTALS:	-												113	
OVERHEAD														
OVR-OVERHEAD	-	-	-	-	-	-	-	-	-	-	-	-	-	
OVR-LINE CONDUCTOR	-	-	1,809	-	-	-	-	-	-	-	-	-	1,809	
OVR-CONNECTOR OR CLAMP	-	-	-	-	-	-	-	-	-	-	-	-	-	
OVR-SPLICE OR DEAD END	-	-	-	-	-	-	-	-	-	-	-	-	-	
OVR-JUMPER	-	-	-	-	-	-	-	-	-	-	-	-	-	
OVR-INSULATOR	-	-	-	-	-	-	-	-	-	-	-	-	-	
OVR-LIGHTNING ARRESTER LINE	-	-	-	-	-	-	-	-	-	-	-	-	-	
OVR-FUSE CUTOFF	57	0	19	-	-	-	-	-	-	-	-	-	76	
OVR-RECLOSER OR SECTIONALIZER	-	-	-	-	-	-	-	-	-	-	-	-	-	
OVR-OVERHEAD LINE CONDUCTORS AND DEVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTALS:	57												1,885	

OCEC 2018 Outage
Detailed Summary By Cause

DETAILED SUMMARY BY CAUSE														
UNDERGROUND														
UG-PRIMARY CABLE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UG-SPLICE OR FITTING	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UG-SWITCH ELBOW ARRESTER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UG-SECONDARY CABLE OR FITTINGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UG-ELBOW	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UG-POTHEAD OR TERMINATOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UG-UNDERGROUND, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANSFORMER														
XFMR-TRANSFORMER BAD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XFMR-TRANSFORMER FUSE OR BREAKER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XFMR-TRANSFORMER ARRESTER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XFMR-LINE TRANSFORMER, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
**SECONDARY	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEC-SECONDARY OF SERVICE CONDUCTOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEC-METERING EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEC-SECURITY OR STREET LIGHT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEC-SECONDARY AND SERVICE, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEC-XFMR-NO EQUIP FAILURE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEATHER														
WTR-RAIN	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-LIGHTNING	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-WIND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-SNOW ICE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-SLEET	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-EXTREME COLD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-EXTREME HEAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-WEATHER OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WTR-CLEAR, CALM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS:	-	-	-	-	-	-	-	-	-	-	-	-	-	-

WRECA Annual Meeting Hotel Reservations

From: David Gottula
Sent: Monday, March 19, 2018 10:31 AM
To: OCEC Board <board@ocec.coop>
Cc: Lynn Northcott <lnorthcott@ocec.coop>
Subject: FW: WRECA Annual Meeting & Board Meeting Hotel Reservations

Below is the hotel reservation information for the WRECA Annual meeting in June. If you are planning on attending, please make your hotel reservations. After the event, please fill out an expense report and we will reimburse you for expenses.

The Tahoe will be available so a group with similar schedules can use it for travel to this event.

Thanks

David

From: Kent Lopez <klopez@wreca.coop>
Sent: Monday, March 19, 2018 10:02 AM
Subject: WRECA Annual Meeting & Board Meeting Hotel Reservations

Good Morning,

The next meeting of the **WRECA Board of Directors is June 4, 6:00 p.m. at the Red Lion Hotel Wenatchee**, 1225 N Wenatchee Ave. Please note the date and time. This meeting is the Monday before the 2018 WRECA Annual Meeting which begins on Tuesday, June 5, and adjourns on Wednesday, June 6. A formal notice of this meeting will be sent in May.

The room block at the Red Lion Hotel Wenatchee is now available. The rate in the WRECA block is \$115 for single, \$125 for double, \$135 for triple and \$145 for quad.

For those of you planning to participate in the WECPAC Golf Tournament on June 4, the room block rates are available for Sunday, June 3.

There are two ways to make your reservations:

1 - Call (509) 663-0711 and provide them with your check-in Date and the group code **2018ELEC** for **Red Lion Hotel Wenatchee**

2 - Click on this link and it will take you right to the website where you can book directly:
<https://reservations.redlion.com/ibe/details.aspx?hotelID=13758&langID=1&group=2018elec&hgID=280&currID=0&dt1=6728&nights=2&rooms=1&adults=1&child1=0>

Kent Lopez
WRECA
klopez@wreca.coop



Washington Rural Electric
Cooperative Association

Update

To: WRECA Members

March 21, 2018

From: Kent Lopez, General Manager

It's now two weeks since sine die for the 2018 Legislative Session – yes, the session adjourned on time, with a couple of hours to spare. In spite of the fact that there was a near-record number of bills introduced in the short session, nothing got passed. Well, none of the 48 bills that we were tracking. But we didn't know that until just a couple of hours before sine die. It was a nail-biter all the way to the end.



TIRED BUT RELIEVED – WRECA Lobbyist Grant Nelson (left) and I had just learned that the legislature would no longer consider any bills dealing with net metering, a carbon tax, or a clean energy standard. Sine die would occur a couple of hours later and we both took the next day off.

So what happened to the bills that we were following?

- **The deduction for B&O taxes paid on CFC loan interest** – Once again, our bill to re-instate the deduction for the B&O tax accessed on the interest paid to CFC, HB 2928, ended up being a heart-breaker. We were told that the bill would be scheduled for a hearing by the Senate Ways & Means Committee when all tax preference bills were heard. Then, just minutes before the hearing, we learned that the bill would not be considered for passage.

Apparently (this is based on some serious gossip) an influential Democrat was unhappy with Rep. Lytton and decided that her bill (our bill) wasn't going to be passed in the Senate. We went to the Senate majority leader and asked for her help in getting the bill to the Senate floor for a vote, noting that it passed out of the House

98 to 0. But it was too late.

- **The B&O tax exemption for conservation funds from BPA** – never made it out of the Senate. The bill was also on that list of tax preference bills to be heard by the Ways & Means Committee, but was eliminated at the last minute.
- **The bill to allow judges to consider aggravating circumstances for assaults against a utility worker** – made it all the way to the Senate floor but was never brought up for a vote.
- **The governor's carbon tax bill, SB 6203, was sent to the "X" file before the final week** – Supporters didn't have enough "yes" votes in the Senate to pass the bill. (The fact that the new economic forecast indicated that the state would have over \$1 billion in revenue than it was planning on killed any chance for any tax to pass.) That usually means a bill is dead. And that's what it meant for SB 6203.

So, the governor and his environmentalist friends moved on to another proposal.

- **With the demise of the carbon tax proposal, the bills that deal with the RPS or a clean energy standard** – got new life pumped into them. As we reported earlier, we started out with HB 2402 which would require all consumer-owned utilities to have qualified renewable resources make up at least 15 percent of the average of their 2019 and 2020 loads beginning January 1, 2021. We opposed this bill and it was not passed by the House prior to cutoff.

And we had SB 6253 which would require all electric utilities meet new electricity needs with distributed energy resources (DER) and carbon-free resources – and by December 31, 2045, meet all electricity needs with DER and carbon-free resources. We didn't like this bill either and it was not passed by the Senate before the cutoff.

Then a new bill, HB 2995, was passed by the House Finance Committee that would have:

- Required all electric utilities to, by January 1, 2030, eliminate from electric rates all costs associated with delivering electricity to Washington customers that is generated from a coal-fired resource.
- Required electric utilities to reduce the total number of megawatt-hours from fossil fuel generating resources compared to a 2017 baseline by 100% by January 1, 2045.
- Prohibited hydroelectric generation from including new diversions, new impoundments, new bypass reaches, or expansion of existing reservoirs unless they are necessary for the operation of a pumped storage facility.
- Established certain reporting requirements and granted rulemaking authority to the UTC and to the Dept. of Commerce.

Yes, Substitute HB 2995 as passed by the House Finance Committee looked a lot like the original SB 6253.

Rep. Nealey (R-16) prepared a striker that would delete the entire bill and replace it with a bill that would create a legislative study committee to look at the best energy policy to get the state to a clean energy future and report back to the full legislature before the 2019 Legislative Session.

The Democrats countered with a proposed striker that would include the study provision in Rep. Nealey's proposal, but would include four additional provisions:

- Distributed Energy Resource (DER) Planning – the language from HB 1233 which was already on the Senate floor waiting for a vote. We were neutral on this bill.
- Electric Vehicle Infrastructure – language from SB 6187 which would allow cities to provide electric vehicle charging facilities. We were neutral on this bill.
- Alternative Form of Regulation (AFOR) – language from HB 2413 that would allow the UTC to use an alternative method for determining the “least cost” resource for IOU's integrated resource plans. We were neutral on this bill.
- Net Metering – language from SB 6801 which had been amended in the House to be like HB 2510. This was a terrible bill and we opposed it all along.

This bill, HB 2995, had opposition in the House from both Republicans and a few Democrats, and was eventually set aside.

So then we moved back to the Senate where the supporters of Substitute HB 2995, sensing that they were running out of time in the House, drafted a substitute for a Senate bill that looked a lot like Substitute HB 2995, except it didn't have the provision calling for a legislative study. We worked with our friends in the Senate to sponsor a striker that would mirror the Nealey striker in the House.

The supporters in the Senate didn't have enough votes with just the Democrats to pass the bill, so they asked the Republicans if they could vote for it. The Republicans said the bill would have to include the language from SB 5232, our federal incremental hydro bill.

It was about 7:30 p.m., just a couple of hours before sine die, that we got word that the Senate would not be considering an energy bill. We shook hands and went home very relieved.

I spent most of last week in Washington, DC – It was almost a vacation, except that it was all work. The Rural Electric Statewide Managers Association (RESMA) had a couple of days of meetings putting the final touches on the agenda for the upcoming NRECA Legislative Conference and plotting – I mean discussing – plans for congressional lobbying for the rest of the year – or what's left of it considering this is an election year.

After the RESMA meetings at the NRECA headquarters, I spent an afternoon visiting with key congressional staff for Rep. McMorris Rodgers, Rep. Kilmer, Rep. Heck, Sen. Cantwell, and Sen. Murray. The main topics of discussion were HR 3144 dealing with the BiOp case, vegetation management on federal lands, and the proposal to sell BPA's transmission assets.

That evening, I attended a fundraiser for Rep. Denny Heck who sent his greetings to the electric cooperatives in the 10th District and asked that everyone support Gonzaga in the NCAA basketball tournament.



The next biggie on our schedule is the 2018 Annual Meeting – June 5 & 6 at the Red Lion Hotel in Wenatchee. We're very close to having the conference agenda finished. To date, we have speaker confirmations from:

- State Sen. Brad Hawkins (R-12)
- Elliot Mainzer, BPA Administrator
- Kirk Johnson, NRECA Senior VP for Government Relations
- Roger Gray, NW Requirements Utilities CEO
- Laura Vogel, NRECA Senior Advisor for Public Affairs
- Justin Naef, 2018 Washington State Youth Tour Representative
- Dale Anderson, Big Bend EC Member Service Manager

On Monday, June 4, the annual WECPAC golf tournament will be at the Highlander Golf Course in Wenatchee. Tuesday evening, June 5, is the annual WECPAC dinner and auction.

Registration information will be sent to WRECA members early next month and posted on the WRECA website – www.wreca.coop.

Put the dates on your calendar and watch for program updates and registration materials to come in a couple of weeks.

There is still time to register for the NRECA Legislative Conference – which is the second week of April this year. To register for the 2018 NRECA Legislative Conference, go to <https://www.cooperative.com/conferences-education/conferences/legislative/Pages/default.aspx> and click on the 2018 Legislative Conference registration button.

The agenda was just released.

- Sunday, April 8 Arrival day
 Registration 2-7 p.m.
 Welcome Reception 7-8:30 p.m.
- Monday, April 9 Registration 7:30 a.m.
 Issues Forums 9:15 & 10:30 a.m.
 General Session 2 p.m.
- Tuesday, April 10 Congressional visits all day (wear comfortable shoes)

Details of the agenda are on the cooperative.com website. We're scheduling the congressional visits and hope to have that schedule available next week. Please let me know if you've registered for the conference so we can coordinate schedules.

Important dates – please put the following on your calendars:

Apr. 8-11 – NRECA Legislative Conference, Washington, DC
May 21-23 – NWPPA Annual Meeting, Boise, ID
Jun. 4 – WRECA Board of Directors, Wenatchee, WA
Jun. 4 – Annual WECPAC Golf Tournament, Wenatchee, WA
Jun. 5-6 – WRECA Annual Meeting, Wenatchee, WA
Sept. 18 – WRECA Board of Directors, Spokane Valley, WA
Sept. 25-27 – NRECA Region 9 Meeting, Anchorage, AK
Dec. 11 – WRECA Board of Directors, SeaTac, WA

Please let me know if you have any questions. – Kent

General Manager's Report to the Board – March 2018

General Discussion:

- A cold February helped boost sales. YTD sales are only down 13% compared to being down 28% in January. Actual YTD February 2018 sales was 9 % over YTD February budgeted sales. Budgeted sales are based on normalized weather.
- In the state legislature, no negative legislation made it through this session. We are watching closely the expected carbon initiative that is expected to be introduced soon.
- In a milestone, OCEC now has 3000 members.

Financial Discussion

- For YTD February 2018, gross margins were \$74,000 under corresponding 2017 amounts and \$69,000 over 2018 budgeted amounts.
- For YTD February 2018, nonpower expenses were \$30,000 under corresponding 2017 amounts and \$42,000 over budget. The budget overrun is due primarily to the following:
 - Higher O&M Distribution expenses (\$29,000) due to more higher level of O&M labor by operations.
 - Timing of tax expenses (\$10,000)
- For Management Goal #2 which looks at A&G and the Customer Accounts, we were \$3,200 or 1.7% over budget for the first two months of the year.
- Equity ratio for February 2018 is 66.7%. Equity ratio for February 2017 was 64.2%.
- The third page of this report contains a cost of power analysis for the first five months of the BPA power rate increase.
 - Instead of the expected power cost increase of 6 to 7%, we have actually had a 1% increase in power costs on a kwh basis over this time period.
 - When looking at just the first two months of this calendar year though, we have had a 4.3% increase.
 - The big jump in per unit cost for February was due primarily to demand portion of the February bill where OCEC had a higher peak during the BPA peak.
 - For 2018, the estimated cost attributable to the increase in KWH rate is \$28,000.

Comparison of OCEC 2017 and 2018 YTD February Key Statistics

	<u>YTD February 2017</u>	<u>YTD February 2018</u>	<u>% Difference</u>
Purchased kWH	17,470,205	15,089,690	-13.6%
Cost of Power	\$745,910	\$671,053	-10.0%
Revenue per KWH purchased (cents)	8.01	8.38	4.7%
Cost of Power per kWH (cents)	4.27	4.45	4.2%
Non-power expenses per KWH (cents)	2.94	3.20	9%
Margins per KWH (cents)	0.80	0.73	-8%
EBITDA/kwh (cents)	1.63	1.69	4%

Comparison of OCEC 2017 and 2018 YTD February Actual Results for O&M (Unaudited)

	<u>YTD February 2017</u>	<u>YTD February 2018</u>	<u>Difference</u>
Operating Revenue	\$1,399,075	\$1,265,043	\$(134,032)
Cost of Power	745,910	671,053	\$(74,857)
Gross Margins	653,165	593,990	\$(59,175)
Non-Power Expenses	513,720	483,538	\$(30,182)
Operating Margins	\$139,445	\$110,452	\$(28,993)
EBITDA	285,388	255,635	\$(29,753)

Comparison of YTD February 2018 Budget Results for O&M

	<u>YTD February 2018</u> <u>Budget</u>	<u>YTD February 2018</u> <u>Actual</u>	<u>Difference</u>
Operating Revenue	\$1,144,346	\$1,265,043	\$120,697
Cost of Power	602,196	671,053	\$68,857
Gross Margins	542,150	593,990	\$51,840
Non-Power Expenses	441,527	483,538	\$42,011
Operating Margins	\$100,623	\$110,452	\$9,829

Comparison of BPA Power Costs for First 5 Months of FY 2017 and FY 2018

	FY 2017			FY 2018		
	KWH Purchased	Cost	Cents per KWH	KWH Purchased	Cost	Cents per KWH
Oct	4,247,850	\$ 179,765	4.2	4,617,795	\$ 199,417	4.3
Nov	4,840,000	\$ 167,067	3.5	6,039,500	\$ 211,428	3.5
Dec	9,195,205	\$ 354,871	3.9	8,870,180	\$ 339,203	3.8
Jan	9,911,795	\$ 412,865	4.2	7,789,025	\$ 310,626	4.0
Feb	7,558,410	\$ 333,045	4.4	7,309,665	\$ 361,998	5.0
March	-					
Total	35,753,260	\$ 1,447,613		34,626,165	\$ 1,422,672	
Overall Cents/KWH	4.05			4.11		
Overall % Increase	1.5%					

Note: PNGC Credit is backed out of December's costs.

Comparison of BPA Power Costs for First 2 Months of CY 2017 and CY2018

	CY 2017			CY 2018		
	KWH Purchased	Cost	Cents per KWH	KWH Purchased	Cost	Cents per KWH
Jan	9,911,795	\$ 412,865	4.2	7,789,025	\$ 310,626	4.0
Feb	7,558,410	\$ 333,045	4.4	7,309,665	\$ 361,998	5.0
March	-					
Total	17,470,205	\$ 745,910		15,098,690	\$ 672,624	
Overall Cents/KWH	4.27			4.45		
Overall % Increase	4.3%					

Estimated \$ in CY 2018 Attributable to Increase in KWH rate \$ 27,968

Estimated \$ in FY 2018 Attributable to Increase in KWH rate \$ 20,694

**Okanogan County Electric Cooperative, Inc.
and Subsidiary**

Financial Report
December 31, 2017

**Okanogan County Electric Cooperative, Inc. and Subsidiary
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December 31, 2017**

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Report of Independent Auditor

Boards of Directors
Okanogan County Electric Cooperative, Inc. and Subsidiary
Winthrop, Washington

We have audited the accompanying consolidated balance sheets of Okanogan County Electric Cooperative, Inc. and Subsidiary (collectively, the Cooperative) as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Okanogan County Electric Cooperative, Inc. and Subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DeCoria, Maichel & Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

March 16, 2018

Okanogan County Electric Cooperative, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Noncurrent assets:		
Net utility plant (Note 3)	\$ 11,165,939	\$ 10,897,643
Investments in associated organizations (Note 4)	662,664	648,372
Notes receivable, due after one year (Note 7)	<u>307,660</u>	<u>242,652</u>
Total noncurrent assets	<u>12,136,263</u>	<u>11,788,667</u>
Current assets:		
Cash and cash equivalents (Note 5)	660,219	758,230
Restricted cash and cash equivalents (Note 5 and 7)	100,241	190,549
Accounts receivable, net (Note 6)	1,013,109	947,180
Notes receivable, due within one year (Note 7)	88,467	75,522
Materials and supplies inventory	<u>374,470</u>	<u>359,152</u>
Total current assets	<u>2,236,506</u>	<u>2,330,633</u>
Total assets	<u>\$ 14,372,769</u>	<u>\$ 14,119,300</u>
MEMBERS' EQUITY AND LIABILITIES		
Members' equity:		
Memberships	\$ 15,910	\$ 15,610
Patronage capital	6,316,607	5,802,921
Other equities	<u>2,418,028</u>	<u>2,210,410</u>
Total members' equity	<u>8,750,545</u>	<u>8,028,941</u>
Commitments and contingencies (Notes 11, 12 and 15)		
Noncurrent liabilities:		
Long-term debt, due after one year (Note 8)	<u>4,212,227</u>	<u>4,735,802</u>
Total noncurrent liabilities	<u>4,212,227</u>	<u>4,735,802</u>
Current liabilities:		
Long-term debt, due within one year (Note 8)	171,639	188,838
Accounts payable and accrued expenses (Note 10)	948,532	885,739
Consumer prepayments and deposits	236,670	229,495
Deferred revenue	<u>53,156</u>	<u>50,485</u>
Total current liabilities	<u>1,409,997</u>	<u>1,354,557</u>
Total members' equity and liabilities	<u>\$ 14,372,769</u>	<u>\$ 14,119,300</u>

The accompanying notes are an integral part of the consolidated financial statements.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Sales	\$ 8,046,402	\$ 6,940,068
Total operating revenue	<u>8,046,402</u>	<u>6,940,068</u>
Operating expenses:		
Cost of sales	3,935,323	3,162,186
Distribution - operations	461,350	419,773
Distribution - maintenance	566,517	503,372
Administration and general	906,044	828,799
Depreciation and amortization	464,280	464,472
Consumer accounts	286,000	321,471
Interest	280,192	287,960
Taxes	328,600	275,052
Other	1,818	2,220
Total operating expenses	<u>7,230,124</u>	<u>6,265,305</u>
Net operating margins	<u>816,278</u>	<u>674,763</u>
Nonoperating margins:		
Interest income	17,238	11,835
Patronage capital from other cooperatives	32,343	32,160
Rental income	18,000	18,000
Gain on disposition of plant	4,329	9,025
Total nonoperating margins	<u>71,910</u>	<u>71,020</u>
Net margins	<u>\$ 888,188</u>	<u>\$ 745,783</u>

The accompanying notes are an integral part of the consolidated financial statements.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Memberships:		
Memberships, beginning of year	\$ 15,610	\$ 15,435
Net change in memberships	<u>300</u>	<u>175</u>
Memberships, end of year	<u>15,910</u>	<u>15,610</u>
Patronage capital:		
Patronage capital, beginning of year	5,802,921	5,445,912
Net margins to be allocated	702,733	591,237
Retirement of capital credits	<u>(189,047)</u>	<u>(234,228)</u>
Patronage capital, end of year	<u>6,316,607</u>	<u>5,802,921</u>
Other equities:		
Other equities, beginning of year	2,210,410	2,032,391
Unallocated margins	185,455	154,546
Other changes, net	<u>22,163</u>	<u>23,473</u>
Other equities, end of year	<u>2,418,028</u>	<u>2,210,410</u>
Total members' equity, end of year	<u>\$ 8,750,545</u>	<u>\$ 8,028,941</u>

Okanogan County Electric Cooperative, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net margins	\$ 888,188	\$ 745,783
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization expense	563,386	525,572
Gain on disposition of plant	(4,329)	(9,025)
Changes in:		
Accounts receivable, net	(65,929)	213,151
Materials and supplies inventory	(15,318)	40,277
Accounts payable and accrued expenses	62,793	53,140
Consumer prepayments and deposits	7,175	6,109
Deferred revenue	2,671	1,116
Net cash provided by operating activities	<u>1,438,637</u>	<u>1,576,123</u>
Cash flows from investing activities:		
Additions to utility plant	(834,551)	(790,720)
Proceeds from sale of plant	7,198	9,025
Advances on notes receivable	(160,000)	(9,275)
Principal payments received on notes receivable	82,047	81,969
Additions to investments in associated organizations	(32,343)	(32,160)
Redemptions of investments in associated organizations	18,051	18,415
Net cash used by investing activities	<u>(919,598)</u>	<u>(722,746)</u>
Cash flows from financing activities:		
Additions to memberships, net	300	175
Retirement of capital credits	(189,047)	(234,228)
Other changes in members' equity, net	22,163	23,473
Net borrowings (repayments) on line of credit	-	(200,000)
Principal payments on long-term debt	(540,774)	(217,457)
Net cash provided (used) by financing activities	<u>(707,358)</u>	<u>(628,037)</u>
Net decrease in cash and cash equivalents	(188,319)	225,340
Cash and cash equivalents, beginning of year	948,779	723,439
Cash and cash equivalents, end of year	<u>\$ 760,460</u>	<u>\$ 948,779</u>
Reconciliation of cash and cash equivalents to the Consolidated Balance Sheets:		
Cash and cash equivalents	\$ 660,219	\$ 758,230
Restricted cash and cash equivalents	100,241	190,549
	<u>\$ 760,460</u>	<u>\$ 948,779</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 280,192</u>	<u>\$ 287,960</u>

The accompanying notes are an integral part of the consolidated financial statements.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. Organization

Okanogan County Electric Cooperative, Inc. (OCEC, or the Cooperative) was incorporated in 1939 under the laws of the State of Washington for the purpose of supplying electric energy to its members. In 2000, the Cooperative began providing propane to its members. Effective January 1, 2003, the Board of Directors approved the transfer of the propane division to a wholly-owned taxable subsidiary, Okanogan County Energy, Inc. (OCEI, or Propane). Assets and corresponding debt totaling approximately \$1,000,000 were transferred to the new subsidiary.

The Cooperative has qualified for exemption from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. Propane files a separate corporate tax return for federal income taxes.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Cooperative follows the Federal Energy Regulatory Commission's *Uniform System of Accounts* prescribed for Class A and Class B Electric Utilities. As a result, the Cooperative's application of accounting principles generally accepted in the United States of America differs in certain respects from such application by non-regulated enterprises. The differences relate primarily to the time at which various items enter into the determination of net margins in order to follow the principle of matching revenues and costs. The Cooperative uses the accrual method of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and Propane. All significant intercompany balances and transactions are eliminated in consolidation.

Utility Plant

Utility plant is recorded at cost, which includes contracted work, direct labor and materials, and indirect charges for engineering, supervision and other similar overhead items. Member advances for construction and system access charge payments reduce the amounts capitalized to utility plant. System access charge payments are based on panel size and distance from the substation. Major additions and betterments with a cost of \$1,000 or more for all asset groups are capitalized.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Utility Plant, Continued

Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets, and the replacement and renewal of items determined to be less than units of plant are charged to maintenance as incurred. When units of distribution plant are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost is removed from utility plant and the cost, plus the cost of removal, less net salvage, is removed from accumulated depreciation. When general plant assets are retired, sold or otherwise disposed of in the ordinary course of business, their net book value is removed and the gain or loss, if any, is recognized in the Consolidated Statement of Operations.

Depreciation is recorded on the straight-line composite basis and is charged to capital and operating accounts at rates adopted by the Board of Directors. Depreciation is computed on additions beginning in the month they are placed in service. Provision has been made for depreciation of distribution plant at a composite rate of 2.86% per annum. The rates used to compute depreciation for general plant, based on an estimation of useful lives for each asset group, are as follows:

Structure and improvements	2.50%
Office furniture and equipment	20.00%
Computer equipment	20.00%
Transportation equipment	14.30%
Tools, shop and garage equipment	14.30%
Miscellaneous equipment	14.30% to 20.00%

Overhead costs, including indirect labor, payroll burden, insurance, transportation charges and stores expense, are charged to construction and retirement work orders monthly on a prorated basis. Depreciation on transportation equipment is initially allocated to clearing accounts, and subsequently charged to construction work orders or maintenance expense.

Valuation of Long-Lived Assets

Management of the Cooperative periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for any asset impairment write-down. Impaired assets are reported at the lower of cost or fair value. At December 31, 2017 and 2016, no assets were considered to be impaired.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Investments in Associated Organizations

Capital term certificates are carried at cost. Patronage capital from associated organizations is recorded at the face value of capital credits allocated and not retired. Other investments in associated organizations are carried at cost, which approximates fair value.

Cash and Cash Equivalents

The Cooperative considers all short-term deposits and highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount that management of the Cooperative expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts. Additions to the allowance for doubtful accounts are based on management's judgment, considering historical write-offs, review of specific past-due accounts, collections and current credit conditions. Generally, the Cooperative considers accounts receivable past due after 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days and is recognized as it is charged. Interest is charged until the account is paid in full or written off. Balances which remain outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Payments received on receivables subsequent to being written off are considered a bad debt recovery. Changes in the allowance for doubtful accounts have not been material to the financial statements.

Materials and Supplies Inventory

Materials and supplies inventory, which consists primarily of items needed for construction and maintenance of electric plant, and propane and propane tanks, is stated at the lower of average cost or market. Useable materials salvaged from plant retirements are returned to inventory at current weighted average cost.

Deferred Charges and Deferred Credits

In accordance with ASC Topic 980, *Regulated Operations*, certain costs and income may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues when certain conditions are met. Regulatory assets and liabilities are recorded when it is probable that future rate increases or rate reductions will permit recovery.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Grants and Contracts

The Cooperative must perform services or meet specific conditions to receive grant and contract funds. When the conditions are met, or the required services have been provided, the government agency is billed and the support is recognized.

Generally, there are no significant remaining restrictions associated with the grants or contracts when the support is recognized. However, if there are restrictions, the amount is recorded as deferred revenue in the current liability section of the Balance Sheet. At December 31, 2017 and 2016, the Cooperative had no deferred revenue related to grants or contracts.

Patronage Capital

The Cooperative operates on a nonprofit basis. In accordance with the Cooperative's bylaws, amounts received from furnishing electric energy in excess of operating costs and expenses (operating margins) are assigned to patrons on a patronage basis. Patronage basis is defined as allocating to members on the basis of total power billings to members for furnishing energy and utility services. At the Board's discretion, non-operating margins are currently retained by the Cooperative.

Revenue and Cost of Power Recognition

Revenue is recognized and billings are made monthly for energy sold as indicated by meter readings made at the end of each month. Cost of power purchased is recognized based on meter readings made by the power suppliers as of the last day of the month.

Financial Instruments

ASC Topic 825, *Financial Instruments*, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants (i.e., an exit price). At December 31, 2017 and 2016, the carrying value of financial instruments, such as receivables, accounts payable and accrued expenses, approximated fair values based on the short-term maturities of these instruments.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the organization's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the organization. ASC Topic 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants. The inputs and methodology used for valuing the Cooperative's financial assets and liabilities are not indicators of the risks associated with those instruments. At December 31, 2017 and 2016, there are no assets or liabilities that are measured at fair value on a recurring basis.

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Cooperative had no assets measured at fair value on a nonrecurring basis during 2017 or 2016.

Clearing Accounts

Overhead costs, including indirect labor, payroll burden, insurance, depreciation, transportation charges and stores expense, are charged to clearing accounts on a monthly basis. The amounts charged to the clearing accounts are cleared each month of substantially all actual expenses. Transportation and equipment charges are allocated directly to construction work orders to the extent that usage relates to construction in progress. Remaining transportation and equipment expense, along with all other amounts charged to the clearing accounts, are allocated based on equipment usage, labor charges or material issuances, depending on the nature of the charge.

Income Taxes

The Cooperative is a tax-exempt organization under the provisions of Section 501(c)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the Cooperative's financial statements. However, the Cooperative is subject to tax on unrelated business income, if any. The Cooperative had no unrelated business income during 2017 and 2016.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

The Cooperative's taxable subsidiary files separate corporate tax returns for federal purposes.

The Cooperative has not identified any uncertain income tax positions that would jeopardize its tax-exempt status. The Cooperative's income tax returns are subject to review and examination by federal authorities. The tax years that are open to examination by federal authorities include the years ended December 31, 2013 through 2016.

Credit Risk

Financial instruments which potentially subject the Cooperative to concentration of credit risk consist principally of cash and cash equivalents and receivables.

The Cooperative maintains its cash and cash equivalents with high credit quality financial institutions and, by policy, generally limits the amount of exposure to any one financial institution. The Cooperative's cash in bank deposit accounts, at times, may exceed federally insured limits. The Cooperative has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Concentrations of credit risk with respect to trade receivables are somewhat limited due to the Cooperative's number of customers. Credit is extended to members without collateral requirements; however, advance payments are obtained from certain members and formal shut-off policies and procedures exist.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the Cooperative to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Subsequent Events

The Cooperative has evaluated subsequent events through March 16, 2018, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in these financial statements.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

3. Utility Plant

Utility plant is summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Distribution plant	\$ 10,722,440	\$ 10,563,199
General plant	5,682,193	5,340,079
Intangibles	<u>71,000</u>	<u>71,000</u>
Plant in service	16,475,633	15,974,278
Less: Accumulated depreciation	<u>(5,728,673)</u>	<u>(5,271,332)</u>
	10,746,960	10,702,946
Construction in progress	<u>418,979</u>	<u>194,697</u>
	<u>\$ 11,165,939</u>	<u>\$ 10,897,643</u>

Consumer “contribution in aid of construction” payments are offset against the cost of construction in determining the amount to capitalize into utility plant. Consumer contribution payments offset against construction costs totaled \$445,993 and \$257,297 for 2017 and 2016, respectively.

Total depreciation and amortization of utility plant for 2017 and 2016 was \$563,386 and \$525,572, respectively. Depreciation on transportation equipment that was allocated to clearing accounts and subsequently charged to work orders or maintenance expense totaled \$99,106 and \$61,100 in 2017 and 2016, respectively.

4. Investments in Associated Organizations

Investments in associated organizations are summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
National Rural Utilities Cooperative Finance Corporation (CFC) – capital term certificates	\$ 170,199	\$ 170,615
Pacific Northwest Generating Cooperative (PNGC) – capital term certificates	138,460	138,460
CFC – patronage capital	182,683	169,500
PNGC – patronage capital	73,803	73,803
Federated Rural Electric Insurance – patronage capital	38,341	41,095
Southeastern Data Corporation – patronage capital	44,038	40,345
Cooperative Response Center, Inc. (CRC) – patronage capital	1,640	1,054
Other investments in associated organizations	<u>13,500</u>	<u>13,500</u>
	<u>\$ 662,664</u>	<u>\$ 648,372</u>

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

4. Investments in Associated Organizations, Continued

The capital term certificates with CFC yield 0% to 5% and mature at various times ranging from 2018 through 2080. Patronage capital is returned in accordance with the associated organization's policies.

5. Cash and Cash Equivalents

The Cooperative and its subsidiary maintain their cash accounts in local banks. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. The Cooperative's deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution at December 31, 2017.

The combined carrying amount of cash and cash equivalents, including restricted cash and cash equivalents, on the Cooperative's books at December 31, 2017 was \$760,460, and bank balances totaled \$810,951. The differences between the carrying amount of cash and cash equivalents on the Cooperative's books and the bank balances consisted of outstanding checks and deposits not processed by the banks as of December 31, 2017.

A summary of the total insured and uninsured bank balances at December 31, 2017 is as follows:

Total bank balances	\$ 810,951
Portion insured by FDIC	<u>(271,173)</u>
Uninsured bank balances	<u>\$ 539,778</u>

Included in restricted cash and cash equivalents are amounts that are restricted for the revolving loan fund program (see Note 7). In 1998, the Cooperative received a grant of \$204,000 from the United States Department of Agriculture (USDA) to establish a revolving loan fund (RLF) program. During 2010, the Cooperative received another grant from the USDA in the amount of \$200,000 for the RLF program. The amounts that have not been loaned, totaling \$100,241 at December 31, 2017, are considered to be restricted cash and cash equivalents.

6. Accounts Receivable

Accounts receivable are summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 1,005,121	\$ 938,566
Accounts receivable – grants (see Note 14)	16,475	16,475
Less allowance for doubtful accounts	<u>(8,487)</u>	<u>(7,861)</u>
	<u>\$ 1,013,109</u>	<u>\$ 947,180</u>

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

7. Notes Receivable

Notes receivable are summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Notes receivable, due within one year	\$ 88,467	\$ 75,522
Notes receivable, due after one year	<u>307,660</u>	<u>242,652</u>
	<u>\$ 396,127</u>	<u>\$ 318,174</u>

In 1998, the Cooperative received a grant of \$204,000 from the USDA to establish a revolving loan fund (RLF) program. During 2010, the Cooperative received another grant from the USDA in the amount of \$200,000 for the RLF program. In addition to the grants received, the Cooperative has contributed \$100,000 to the RLF program since its inception. The purpose of the RLF program is to finance approved rural economic development projects. The repayment terms on the loans vary from four to ten years. Loans made pursuant to the RLF program are noninterest bearing; however, a small administration fee is charged. In addition, the Cooperative entered into an agreement with a local internet service provider to construct a fiber-optic line between the towns of Twisp and Winthrop. The agreement provided for the payment of the project under a ten-year note receivable, bearing interest at 7.6%, with a maturity date of 2018.

The USDA grants do not have maturity dates, and the Cooperative is only required to repay the grants if the economic development loan fund program is terminated. Management of the Cooperative does not currently intend to terminate the program within the foreseeable future and therefore has not recorded a liability as of December 31, 2017 and 2016.

All of the economic development loans are in good standing and are current on their payments. As of December 31, 2017 and 2016, the Cooperative has not recorded an allowance for loan losses on their economic development loans.

8. Long-Term Debt

Long-term debt is summarized as follows at December 31, 2017:

Mortgage notes payable to CFC, currently due in quarterly installments of approximately \$110,859, including interest at fixed and variable rates, currently ranging from 3.25% to 7.55%, maturing through December 2040	\$ 4,383,866
Less amount due within one year	<u>(171,639)</u>
Amount due after one year	<u>\$ 4,212,227</u>

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

8. Long-Term Debt, Continued

Scheduled principal payments on long-term debt are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 171,639
2019	167,587
2020	178,285
2021	189,684
2022	188,552
Thereafter	<u>3,488,119</u>
	<u>\$ 4,383,866</u>

Substantially all of the Cooperative's assets are pledged as security for long-term debt payable to CFC.

Under the provisions of the CFC mortgage agreement, the Cooperative may make patronage distributions only if, after giving effect to the distribution, total members' equity of the Cooperative will be at least 30% of total assets. If, after giving effect to the distribution, total equity of the Cooperative will be less than 30% percent of its total assets, the Cooperative may only make distributions of up to 25% of the prior year's patronage capital or total margins. In addition, the CFC mortgage agreement sets forth certain financial requirements that must be met prior to additional borrowings.

During 2017, total refunds of capital to patrons amounted to \$189,047. There were no violations of loan contracts or mortgage restrictions with respect to refunds of capital. The equities and margins of the Cooperative represented approximately 66% and 64% of the total assets of the Cooperative at December 31, 2017 and 2016, respectively.

The Cooperative has available, through CFC, a credit facility with a borrowing limit of \$8,000,000, which currently extends through May 9, 2051. The outstanding balances under this credit facility at both December 31, 2017 and 2016 were zero.

9. Lines of Credit

The Cooperative has an unsecured line of credit with CFC which contains a 90-day cancellation provision that is available to either party, and has a maximum limit of \$1,000,000. The line has a variable interest rate that is tied to the Cooperative's secured loan rate with a cap of 1% over prime. The interest rate as of December 31, 2017 was 2.75%. Outstanding balances on the line were zero at both December 31, 2017 and 2016, respectively.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

9. Lines of Credit, Continued

The Cooperative also had an unsecured line of credit with CFC that originated during 2014 to cover costs associated with the Carlton Complex Fire (see Note 14). The line had a maximum limit of \$700,000, with an interest rate of 2.44% at December 31, 2015. The outstanding balance on the line was \$200,000 at December 31, 2015. During 2016, the line of credit balance was paid off and the line of credit was closed.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 622,763	\$ 546,225
Accrued payroll-related liabilities	178,291	191,025
Accrued taxes	52,384	20,251
RS plan liability	<u>95,094</u>	<u>128,238</u>
	<u>\$ 948,532</u>	<u>\$ 885,739</u>

11. Retirement and Benefit Plans

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit, multi-employer pension plan qualified under Section 401, and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multi-employer plan, compared to a single-employer plan, is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

During 2012, the Cooperative's Board made a decision to "freeze" the Cooperative's participation in the RS Plan as of December 31, 2014. As a result, the Cooperative began to accrue a liability for settling the Cooperative's projected obligation in connection with terminating the Cooperative's participation in the plan. As of December 31, 2017, the Cooperative has recorded an accrued liability totaling \$95,094 for this projected obligation (see Note 10). Contributions to the plan for 2017 and 2016 totaled \$33,144 and \$32,283, respectively. The Cooperative's contributions to the RS Plan for 2017 and 2016 represented less than 5% of the total contributions made to the plan by all participating employers.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

11. Retirement and Benefit Plans, Continued

In the RS Plan, a “zone status” determination is not required, and therefore is not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80% funded on both January 1, 2017 and 2016 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The Cooperative and Propane also sponsor a 401(k) savings plan for all employees who have met minimum eligibility requirements. The combined contributions to the 401(k) savings plan totaled \$285,624 and \$256,395 for 2017 and 2016, respectively.

Both plans are administered by NRECA. A copy of the full annual report can be obtained by writing to the office of the Plan Administrator, National Rural Electric Cooperative Association, 4301 Wilson Boulevard, Arlington, VA 22203.

12. Commitments and Contingencies

Power Supply Contracts

During 2008, the Cooperative entered into an agreement with Pacific Northwest Generating Cooperative, Inc. (PNGC) whereby the Cooperative became obligated to purchase all of its power requirements from PNGC through September 2028. PNGC is an electric generation and transmission cooperative owned by 14 northwest electric distribution cooperative utilities, formed for the purpose of creating more buying leverage for its members.

In December 2008, PNGC signed a new 20-year contract with Bonneville Power Administration (BPA). This contract, which became effective October 1, 2011, secured long-term, cost-based power from the Federal Base System. This allowed PNGC to acquire additional resources to meet member cooperatives’ future energy needs in the most efficient manner and at the highest level of wholesale rate stability possible.

Union Agreement

In July 2011, the Cooperative entered into an agreement with the Local International Brotherhood of Electrical Workers (IBEW) Union #77 covering conditions of employment for outside linemen. During 2017, the agreement was renewed through June 30, 2017, which includes wage increases effective July 1, 2017, July 1, 2018 and July 1, 2019.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

13. Related Party Transactions

Okanogan County Energy, Inc. (OCEI) is a wholly-owned subsidiary of Okanogan County Electric Cooperative, Inc. and was incorporated on January 1, 2003. The Cooperative had an agreement with OCEI to provide office facilities at a rental rate of \$1,500 per month for 2017 and 2016. OCEI paid total rents, including electricity, to the Cooperative of \$18,000 for both 2017 and 2016. Certain office expenses and labor are also paid by OCEI and are reimbursed back to the Cooperative. These amounts were not eliminated upon consolidation because they affect the margins allocated to the Cooperative's members.

The Board of Directors and its related entities purchase electric power and propane from the Cooperative. None of these related-party transactions is considered material, either individually or in the aggregate.

14. Carlton Complex Fire

During the summer of 2014, lightning strikes in north-central Washington ignited the Carlton Complex Fire, which at the time was the largest fire in Washington state history. The fire, which burned large areas within the Cooperative's territory, resulted in significant damage to the Cooperative's infrastructure. The Cooperative received a Federal Emergency Management Agency (FEMA) grant to assist in the reconstruction and repair activities. During the year ended December 31, 2016, the Cooperative received reimbursements totaling \$288,643. At December 31, 2017, the Cooperative had a remaining grant receivable totaling \$16,475, which had not yet been reimbursed.

15. Litigation

The Cooperative is a defendant in multiple lawsuits filed in the Superior Court of Okanogan County in the State of Washington arising out of the August 19, 2015 wildland fire known as the Twisp River fire. The lawsuits filed to date are:

(1) *State of Washington Department of Natural Resources v. Okanogan County Electric Cooperative, Inc.*, Cause No. 16-2-00456-5, filed November 1, 2016;

(2) *Encompass Insurance v. OCEC*, Okanogan County Superior Court Cause No. 17-2-00184-0, filed April 21, 2017;

(3) *Edroy Parker, et al. v. OCEC, et al.*, Okanogan County Superior Court Cause No. 17-2-00235-8, filed May 22, 2017;

(4) *Safeco Insurance, et al. v. OCEC, et al.*, Okanogan County Superior Court Cause No. 17-2-00253-6, filed June 8, 2017; and

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

15. Litigation, Continued

(5) *Foremost Insurance, et al. v. OCEC*, Okanogan County Superior Court Cause No. 17-200346-0, filed July 20, 2017.

In each of the above referenced lawsuits, the plaintiffs seek to recover damages related to the Twisp River wildfire (“the Fire”) and all of the lawsuits allege that the Fire started when a water birch tree came into contact with a service line owned by the Cooperative near the Twisp River Road. The property damaged by the Fire included timberland, buildings and other improvements. In addition, three firefighters were killed while fighting the fire and another was badly injured. While none of these firefighters or their respective estates have brought claims, it is possible that they will do so. Under Washington law these potential personal injury claimants have until August 19, 2018 to file suit. There is a pending motion to consolidate all of the lawsuits for purposes of discovery. The Cooperative intends to move to have all cases consolidated for discovery and trial so that they will all be heard before one judge in a single lawsuit. At present, each of the above-mentioned lawsuits are in the stages of written discovery, document production and investigation. No depositions have been taken and there has been no determination of liability or damages in any of the lawsuits.

The *Department of Natural Resources* (“DNR”) litigation, cited above, seeks recovery from the Cooperative of the costs incurred by DNR in fighting the Fire, pursuant to a Washington State Statute. The Cooperative has denied liability and will defend aggressively.

The *Encompass* litigation is a subrogation claim against the Cooperative for property damages to an insured of Encompass Insurance. The Cooperative has denied liability and will defend aggressively.

The *Parker* litigation was filed by multiple claimants who suffered damage to real and personal property and who are uninsured or underinsured. The damages alleged in this lawsuit are in excess of \$15 million. There are also other defendants in this litigation: (1) Douglas County PUD (the property owner where the Fire is alleged to have originated); (2) Washington State Department of Fish & Wildlife (the occupier of the property where the Fire is alleged to have originated); and (3) Washington State Department of Natural Resources (for alleged negligence in allowing the Fire to spread). The Cooperative has denied liability and will defend aggressively.

The *Safeco* litigation consists of multiple subrogation claims against the Cooperative for property damages suffered by insureds of multiple insurers. There are also other defendants in this litigation: (1) Douglas County PUD (the property owner where the Fire is alleged to have originated); (2) Washington State Department of Fish & Wildlife (the occupier of the property where the Fire is alleged to have originated); and (3) Washington State Department of Natural Resources (for alleged negligence in allowing the Fire to spread). The Cooperative has denied liability and will defend aggressively.

Okanogan County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements, Continued
December 31, 2017 and 2016

15. Litigation, Continued

The *Foremost* litigation consists of multiple subrogation claims against the Cooperative for property damages suffered by insureds of multiple insurers. There are also other defendants in this litigation: (1) Douglas County PUD (the property owner where the Fire is alleged to have originated); (2) Washington State Department of Fish & Wildlife (the occupier of the property where the Fire is alleged to have originated); and (3) Washington State Department of Natural Resources (for alleged negligence in allowing the Fire to spread). The Cooperative has denied liability and will defend aggressively.

The current demands for damages by all *known* claimants total nearly \$20 million dollars. The demands may rise. The total amount of claims will likely exceed the Cooperative's insurance limits.

The Cooperative intends to vigorously contest the allegations in each of the lawsuits and any personal injury claimants. The Cooperative's insurer is defending the lawsuit and the claims described above. Because the outcome of these matters cannot be predicted at this time, and any potential liability cannot be reasonably estimated, no liability has been accrued in the financial statements. However, if these claims are not resolved favorably, they could have a material adverse impact on the Cooperative's financial position.

Compliance Reports



Report on Internal Control

Boards of Directors
Okanogan County Electric Cooperative, Inc. and Subsidiary
Winthrop, Washington

In planning and performing our audit of the consolidated financial statements of Okanogan County Electric Cooperative, Inc. and Subsidiary (the Cooperative) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Okanogan County Electric Cooperative, Inc. and Subsidiary's internal control to be a significant deficiency.

Segregation of Duties

Due to the size of the Cooperative's staff, a complete segregation of duties that results in an effective system of internal control over financial reporting is not entirely possible. The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we recognize that Okanogan County Electric Cooperative, Inc. and Subsidiary are not large enough to implement a complete segregation of duties, we believe that it is important that those responsible for governance be aware that the condition exists.

This communication is intended solely for the information and use of management, the Boards of Directors, and others within the Cooperative, and lenders, and is not intended to be and should not be used by anyone other than these specified parties.

DeCoria, Maichel & Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

March 16, 2018



Report of Independent Auditor on Loan Fund Expenditures

Board of Directors
Okanogan County Electric Cooperative, Inc.
Winthrop, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Okanogan County Electric Cooperative, Inc. and Subsidiary (the Cooperative) as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and have issued our report thereon dated March 16, 2018.

During the year ended December 31, 2017, the Cooperative received no advances from National Rural Utilities Cooperative Finance Corporation (CFC) pursuant to CFC Loan Number 9015, as controlled by CFC's 100% Restated Mortgage and Security Agreement. In conducting our audit, including testing of construction work orders and other plant accounting records created during the period of audit, nothing came to our attention that caused us to believe that the Cooperative was in noncompliance with the intended purpose of the loan funds, as contemplated in the loan agreement for CFC Loan Number 9015. However, our audit was not primarily directed toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of Okanogan County Electric Cooperative, Inc. and National Rural Utilities Cooperative Finance Corporation and should not be used by anyone other than these specified parties.

DeCoria, Maichel & Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

March 16, 2018

POLICY NO. 10-140

REVISION DATE: February 26, 2018

SUBJECT: AUTHORITY AND RESPONSIBILITIES OF GENERAL MANAGER AND BOARD OF DIRECTORS

PURPOSE

To describe the division of authority and responsibilities between the General Manager and Board of Directors, to the extent not specifically set forth in the By-laws, the Articles of Incorporation or state and federal law. The enumeration of responsibilities in this policy is not intended to limit or otherwise restrict the powers of the Board or the implementation by the General Manager of Board-authorized actions.

POLICY CONTENT

The General Manager and Board of Directors form a team dedicated to serving the best interests of the members. The success of the Cooperative depends on the team working efficiently, effectively and with a clear understanding of where authority and responsibilities lie.

The flow of authority is from the Board to the General Manager, who then delegates authority to individual staff members. The Board does not direct the staff. Exceptions to this normal flow of authority must be authorized in advance by Board resolution and/or approval of the General Manager.

The Board manages the business and affairs of the Cooperative but, in general, is concerned with broad courses of action to be followed rather than the means to carry them out. The Board is also a symbol of strength and leadership, motivating people toward achieving the Cooperative’s goals. The Board hires the General Manager, establishes long-term goals, develops policies to guide Cooperative activities, and measures performance of the Cooperative. The Board has full and final authority over affairs of the Cooperative and a fiduciary duty to its members.

The General Manager carries out the course of action and goals set by the Board, hiring and training staff, developing procedures, determining actions and creating reporting systems to keep the Board informed of the Cooperative’s activities and results.

The division of authority and responsibility is further defined as follows:

BOARD OF DIRECTORS	GENERAL MANAGER
Is accountable to members	Is accountable to the Board as well as members.
Has full and final authority over Cooperative affairs, including the review and approval of significant contracts, such as by way of example union contract, property acquisitions and sales, loans, construction or wholesale power	Manages day-to-day operations. Keeps Board apprised of: proposed state and federal legislation that may impact the Cooperative, quality of electric service problems and opportunities, and

BOARD OF DIRECTORS	GENERAL MANAGER
Procurement, maintenance and periodic review of insurance policies and bonding requirements and determination of coverage needs	customer complaints and comments that the Board should be aware of Periodic review of insurance and bonding requirements of the Cooperative with report and recommendation to Board
Decides longer-term goals and course of action in collaboration with the GM	Decides shorter-term processes and specific actions
Develops and maintains Articles of Incorporation and by-laws and establish policy, and ensures compliance with laws and regulations	Follows policy and propose changes or new policy
Approves rates	Proposes and implements rates
Annual review of plans for long-term sources of energy and operating capital in collaboration with the GM	Carries out Board approved these plans and propose changes
Hires GM, sets performance standards for, and annually reviews performance, salary and benefits and makes adjustments when appropriate.	Hires, sets performance standards for, and evaluate performance of staff
Appraise organizational performance including performance of the Board	Appraise operational results and report them to the Board
Approves annual budgets and construction work plans	Proposes budgets, operates within approved budgets, carries out work plans
Plans annual meetings and elections of Board members, with the aid of the General Manager	Conducts Board these elections; and plans annual meeting in compliance with Bylaws
Manages orientation, training and continuing development of Board members	Manages orientation, training and continuing development of staff and makes recommendations on additional Board training
Promotes good communication and relations with members, affiliates and the community	Communicates and maintains good relations with members, affiliates and the community
Selects the Cooperative's legal counsel in collaboration with the GM	Uses only Board approved the selected legal counsel
Selects the Cooperative's auditor in collaboration with the GM	Supports and assists the annual financial audit
Approves plans for management of member equity including capital credit payment amounts	Proposes and carry out the Board approved ese plans
Review and approve union contract renewals and periodically reviews Employee Handbook	Implement union contract. With Board's input, negotiates contract renewals and updates Employee Handbook.
Approves applications for membership in the cooperative	Receives and process applications for membership in the cooperative
Approves write-offs of uncollectible balances due to the Cooperative	Notifies the Board, in a timely manner, of any uncollectible balances due to the Cooperative

RESPONSIBILITY

The Board of Directors and General Manager share responsibility for implementing this policy, however specific areas can be delegated to committees or staff as appropriate.

ATTESTING:

Secretary

President

Date

POLICY NO. 10-140

REVISION DATE: MAY 27, 2014

SUBJECT: AUTHORITY AND RESPONSIBILITIES OF GENERAL MANAGER AND BOARD OF DIRECTORS

PURPOSE

To describe the division of authority and responsibilities between the General Manager and Board of Directors, to the extent not specifically set forth in the By-laws, the Articles of Incorporation or state and federal law. The enumeration of responsibilities in this policy is not intended to limit or otherwise restrict the powers of the Board or the implementation by the General Manager of Board-authorized actions

POLICY CONTENT

The General Manager and Board of Directors form a team dedicated to serving the best interests of the members. The success of the Cooperative depends on the team working efficiently, effectively and with a clear understanding of where authority and responsibilities lie.

The flow of authority is from the Board to the General Manager, who then delegates authority to individual staff members. The Board does not direct the staff. Exceptions to this normal flow of authority must be authorized in advance by Board resolution and/or approval of the General Manager.

The Board manages the business and affairs of the Cooperative but, in general, is concerned with broad courses of action to be followed rather than the means to carry them out. The Board is also a symbol of strength and leadership, motivating people toward achieving the Cooperative’s goals. The Board hires the General Manager, establishes long-term goals, develops policies to guide Cooperative activities, and measures performance of the Cooperative. The Board has full and final authority over affairs of the Cooperative and a fiduciary duty to its members.

The General Manager carries out the course of action and goals set by the Board, hiring and training staff, developing procedures, determining actions and creating reporting systems to keep the Board informed of the Cooperative’s activities and results.

The division of authority and responsibility is further defined as follows:

BOARD OF DIRECTORS	GENERAL MANAGER
Is accountable to members	Is accountable to the Board
Has full and final authority over Cooperative affairs, including the review and approval of significant contracts, such as by way of example property acquisitions and sales, loans, construction or wholesale power	Manages day-to-day operations

BOARD OF DIRECTORS	GENERAL MANAGER
Decides longer-term goals and course of action	Decides shorter-term processes and specific actions
Develops and maintains Articles of Incorporation and by-laws and establish policy, and ensures compliance with laws and regulations	Follows policy and propose changes or new policy
Approves rates	Proposes and implements rates
Plans for long-term sources of energy and operating capital	Carries out those plans and propose changes
Hires, sets performance standards for, and evaluate performance of General Manager	Hires, sets performance standards for, and evaluate performance of staff
Appraise organizational performance including performance of the Board	Appraise operational results and report them to the Board
Approves annual budgets and construction work plans	Proposes budgets, operates within approved budgets, carries out work plans
Plans elections of Board members	Conducts those elections
Manages orientation, training and continuing development of Board members	Manages orientation, training and continuing development of staff
Promotes good communication and relations with members, affiliates and the community	Communicates and maintains good relations with members, affiliates and the community
Selects the Cooperative's legal counsel	Uses only the selected legal counsel
Selects the Cooperative's auditor	Supports and assists the annual financial audit
Approves plans for management of member equity including capital credit payment amounts	Proposes and carry out those plans
Approves applications for membership	Receives and process applications for membership
Approves write-offs of uncollectible balances due to the Cooperative	Notifies the Board, in a timely manner, of any uncollectible balances due to the Cooperative

RESPONSIBILITY

The Board of Directors and General Manager share responsibility for implementing this policy, however specific areas can be delegated to committees or staff as appropriate.

ATTESTING:

Secretary

President

Date

**POLICY NO. 10-050****REVISION DATE: January 28, 2013****SUBJECT: AUTHORITY AND RESPONSIBILITY OF THE BOARD OF DIRECTORS****I. PURPOSE:**

This policy describes the authority and responsibility of the Board of Directors, to the extent not specifically set forth in the Bylaws.

II. POLICY CONTENT:**Authority and responsibility of Board of Directors:**

The Board of Directors will manage the business and affairs of the Cooperative. They will exercise all of the powers of the Cooperative, except such as are by law, or by the Articles of Incorporation, or by the By-Laws conferred upon or reserved to the members. Generally the Board is concerned with the broad courses of action to be followed by the Cooperative, rather than the means used to carry out the courses of action. The Board is also a symbol of strength and leadership motivating people toward achieving the Cooperative's goals.

Specific areas of responsibility include, without limitation

- A) Establish and maintain operating policies and guidelines for the Cooperative, including:
 - 1) Develop/maintain the Articles of Incorporation.
 - 2) Develop/maintain the By-Laws and refer suggested changes to the membership for their approval.
 - 3) Develop/maintain policies for operating the Cooperative in the best interests of the members and in compliance with all applicable rules; including the Articles of Incorporation, By-Laws, contracts, and applicable laws.
- B) Develop plans for perpetuation of the Cooperative in the best interests of the members; including proper planning of elections, new director orientation, continuing director training, and board performance reviews.
- C) Promote good member relations. Includes conducting well-planned membership meetings to adequately inform the members. Developing other methods to keep membership informed on Cooperative activities and other important issues. Developing policies and procedures to make sure members concerns are addressed promptly and fairly.
- D) Approve annual operating budgets, construction work plans, and capital expenditure budgets.

- E) Develop plans for a long-term source of reliable energy at a reasonable cost.
- F) Develop plans for a long-term source of operating capital.
- G) Approve plans for management of member equity.
- H) Approve all changes in rates charged by the Cooperative.
- I) Recruit and select a General Manager for the Cooperative, assigning responsibility, and regularly appraise his/her performance.
- J) Select the Cooperative's Attorney.
- K) Select the Cooperative's Auditor and engage them for the annual financial audit.
- L) Execute contracts where execution is not delegated to the General Manager.
- M) Determine, in consultation with the General Manager, short and long range plans for the Cooperative including:
 - 1) Plans to maintain a sound financial structure.
 - 2) Operating plans for providing quality service to members and for maintaining good member and public relations.
- N) Work with General Manager to develop reporting systems to measure performance of Cooperative, compliance with established policies, and compliance with established internal controls.
- O) Develop and maintain positive image and relations with affiliated organizations, other Cooperative organizations, and local communities.
- P) Other duties including:
 - 1) Approve applications for membership.
 - 2) Approve write-offs of uncollectible balances due to the Cooperative.
 - 3) See that accurate minutes of board and membership meetings are prepared and maintained.
 - 4) Authorize individuals to execute various financial transactions. (Includes signing checks and borrowing funds)
- Q) On an annual basis the Board of Directors will conduct a self evaluation that encourages the continuing development of the Directors.

III. **RESPONSIBILITY:**

The Board of Directors is generally responsible for implementing this policy. However, specific areas are or can be delegated to a committee of the Board or the General Manager.

ATTESTING:

President

Secretary

Date

Revised 01/28/13
Revised 09/24/12
Revised 8/24/04

DELETE



RESOLUTION 2018-01

RESOLUTION OF THE BOARD OF DIRECTORS Of Okanogan County Electric Cooperative Inc Banking Resolution Farmers State Bank

WHEREAS, Okanogan County Electric Cooperative Inc., (OCEC) is a member owned electric distribution cooperative whose primary mission is to provide safe, reliable and economical electric service to its members/owners in Okanogan County;

WHEREAS, the Board of Directors of the Okanogan County Electric Cooperative Inc., and parent company of Okanogan County Energy, Inc. (OCEI), at its regularly scheduled board meeting approved the addition of Tracy McCabe as authorized representative of Okanogan County Electric Cooperative Inc and Okanogan County Energy Inc at Farmers State Bank.

NOW, THEREFORE, BE IT RESOLVED, that authorized representatives at Farmers State Bank shall include, Lynn M Northcott, David Gottula, Tracy McCabe, Dale Sekijima, Alan Watson and Ray Peterson.

CERTIFICATE

The undersigned, a Secretary or Assistant Secretary of **Okanogan County Electric Cooperative Inc.,** (the "Cooperative"), hereby certifies that the Board of Directors of the Cooperative, at a meeting duly called, noticed, convened, and held on March 26, 2018, at which a quorum was present, did adopt the forgoing Resolutions and that said Resolutions are in full force and effect on the date hereof.

Dated this 26th day of March, 2018.

By: _____
Secretary/Treasurer



RESOLUTION 2018-02

RESOLUTION OF THE BOARD OF DIRECTORS Of Okanogan County Electric Cooperative Inc Banking Resolution North Cascades Bank

WHEREAS, Okanogan County Electric Cooperative Inc., (OCEC) is a member owned electric distribution cooperative whose primary mission is to provide safe, reliable and economical electric service to its members/owners in Okanogan County;

WHEREAS, the Board of Directors of the Okanogan County Electric Cooperative Inc., and parent company of Okanogan County Energy, Inc. (OCEI), at its regularly scheduled board meeting approved the addition of Tracy McCabe as authorized representative of Okanogan County Electric Cooperative Inc and Okanogan County Energy Inc at North Cascades Bank.

NOW, THEREFORE, BE IT RESOLVED, that authorized representatives at North Cascades Bank shall include, Lynn M Northcott, David Gottula, Tracy McCabe, Dale Sekijima, Alan Watson and Ray Peterson.

CERTIFICATE

The undersigned, a Secretary or Assistant Secretary of **Okanogan County Electric Cooperative Inc.**, (the "Cooperative"), hereby certifies that the Board of Directors of the Cooperative, at a meeting duly called, noticed, convened, and held on March 26, 2018, at which a quorum was present, did adopt the forgoing Resolutions and that said Resolutions are in full force and effect on the date hereof.

Dated this 26th day of March, 2018.

By: _____
Secretary/Treasurer

POLICY: 30-155**DATE: April 25, 2016****SUBJECT: New Single Large Loads****I. PURPOSE:**

To set forth the procedure for serving OCEC members with large electrical loads.

II. TYPE OF SERVICE: New single or cumulative loads of one (1) megawatt or higher, served by three phase, 60 cycle, at a voltage available and approved by OCEC.

III. POLICY CONTENT:

Any single customer seeking electrical service (whether a new service or expansion of an existing service), resulting in a use of one (1) megawatt or more in a single month (a "large load") must enter into a separate power sale agreement with OCEC prior to the provision of such electric service. The agreement shall identify terms, rates, and conditions for providing the electrical service and shall address any special provisions applicable to the provision of the electrical service.

This requirement applies to a "single customer" regardless of the number or billing name or names of the metering points resulting in the creation of the large load, and the separate agreement may not be avoided by spreading the large load over multiple metering points or different billing names.

For the purpose of this policy, a "single customer" shall include all persons or entities "under common control" that obtain power from the OCEC. "Under common control" shall mean those persons or entities of whatsoever nature (whether trusts, partnerships, corporations, limited liability companies) in which the same individual or individuals directly or indirectly hold more than 50% of the voting or capital or profit and loss interest. For the purpose of calculating ownership of voting, capital or profit and loss, the interests of spouses, domestic partners, siblings and lineal descendants shall be aggregated to determine whether or not the 50% ownership threshold exists.

Prior to negotiating a power sales agreement the requesting customer shall provide OCEC with a detailed and verifiable estimate of the electrical power they require **IV.**

RESPONSIBILITY:

The General Manager is responsible for implementation of the policy.

ATTESTING:

President

Secretary

Date

Dear Lynn Northcott,

March 22, 2018

I am writing to address the issue of a recent notification of an uncashed check written to me dated 2015 for \$105.18. The letter informs me that because that check was uncashed, I will be required to pay a \$30.00 stop payment fee and will then receive the \$75.18 remaining.

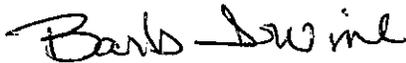
Teri informs me that this is the policy now in place and the burden of proof always falls to the recipient because "some banks honor checks past the 120 days policy" and some people have found and cashed checks years after they were issued. I am not one of those 'some people'. I can see that may happen on a rare occurrence for a few people, although it would appear if it does, OCEC could easily respond by addressing that particular situation and demanding payback and/or holding future monies from payback checks.

It is unfair to purport that there is never an error at OCEC and never an error at the Post Office (now that's laughable) and the recipient is always in error and penalized for uncashed checks they may never have received.

My error, that I must now address, is not having marked calendars every year to assure myself that I have or have not received a check from you. I am not sure that would be of any help, however. It stands to reason that if I had to contact your office next year to say that a check was not received, your policy would dictate that you inform me that 'indeed a check was sent to the same address as always' and that now I must pay a \$30.00 stop payment so you can issue me a new one.

Does this make any sense at all?? Unfair, says I. This policy needs to be changed!

Thank you for your consideration.
Awaiting your response,



Barbara Irvine

POB 355 - TWISP
997-7284

cc. Dave Gottula, Curtis Edwards