

**BLACHLY-LANE COUNTY COOPERATIVE ELECTRIC ASSOCIATION  
BOARD OF DIRECTORS  
MEETING MINUTES**

Monday, December 20, 2004

CALL TO ORDER

The regular meeting was held at the cooperative office, 90680 Hwy 99, Eugene, Oregon. A quorum was declared present and Chairman Tom Irwin III called the meeting to order at 4 p.m. The following Board members were present:

Thomas C. Irwin III	-- Chairman
Audrey Rust	-- Vice-Chairman
Mike Tayloe	-- Secretary/Treasurer
Ernie Jacksch	-- Director
Robert Sikes	-- Director

Others attending the Board meeting:

Bud Tracy	-- General Manager
Mary Locke	-- Manager of Office Services
Bill Gabriel	-- Manager of Operations
Joe McFadden	-- Manager of Member Services
Jami Bartunek	-- Manager of Finance/Controller
Mary Cirks	-- Administrative Assistant
Robert Greening	-- Attorney
Tim Cacan, Scott Mehlbrech, Ken Gast, Chad Ekelund, Matt Smith, Kris Myers	-- Employees

AGENDA

(Motion) Director Rust made a motion seconded by Director Jacksch to accept the agenda as presented. Motion carried 5-0.

CONSENT AGENDA

(Motion) Chairman Irwin asked if there were any items on the consent agenda that the board wished to be discussed. Chairman Irwin requested discussion on the Qwest damage claim, incoming calls, vegetation management, and transfers to reserve. The Qwest damage claim was that BLEC dug up some of Qwest's lines when cable was being replaced. There is another issue with Qwest wherein they bill BLEC regardless if a locate has been called in. Management is working with other cooperatives to solve the matter. Clarification was made regarding transfers to the reserve account that once the membership is cancelled, no capital credits are issued against the reserve account until board direction has been achieved. The board wished to know if the incoming calls can be tracked to see if there is one specific issue on our consumer's minds. Inquiries were made as to the amount of vegetation that is on private property and how much is on county property. Management informed the board that the county is not permitting any control vegetation at this time. Director Tayloe made a motion, seconded by Director Jacksch, to accept the consent agenda. Motion carried 5-0.

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## FINANCIALS

(Motion) Manager of Finance/Controller Jami Bartunek reviewed the A&G Expenses Per Consumers graph where BLEC's expenses were compared with other utilities in the area and also a graph indicating T&D expenses over a six-year period of time. Ms. Bartunek stated total equity is at 43% of total assets; total YTD assets are \$16,129,338; total YTD expenses are \$3,308,738; total YTD operating margins are at \$597,529; and 3,472 services were billed in the month of November. Discussion was held on general work in progress, and what Parker Sub work orders have been closed. Discussion was held on the need to establish a Casco reserve since it is a receivable; the cost of power being short due to the end of the year true-up of about \$78,000; inventory accounting methods to reflect more accurate inventory figures; and the importance of looking at line-loss on a yearly basis instead of monthly. Director Tayloe made a motion to accept the financials as presented. Director Rust seconded it. Motion carried 5-0.

## (Motion) SAFETY MINUTES

As per the Operation Report, the safety meeting will be held tomorrow.

## ORECA REPORT

Discussion was held on the ORECA Annual Meeting; legislative efforts at ORECA; if the value of services BLEC is obtaining for the dues are worth what we pay; inviting Sandy Flicker to come to a BLEC meeting and explain what ORECA's function is.

## PNGC REPORT:

(Motion) Resolution 2004-16 pertaining to authorization of the BPA TR-06 transmission rate case was presented to the board. After discussion, Director Jacksch made a motion to approve Resolution 2004-16 with Director Tayloe seconding it. Motion carried 5-0.

In an effort to adhere to the budget, a lengthy discussion transpired regarding the need for one or two directors to attend the PNGC monthly meeting. Chairman Irwin polled the board and consensus was that although it is a valid concern, attendance is a vital aspect of the cooperative therefore one director will attend the meeting each month. It was noted that the PNGC staff meeting held the day before is a very important meeting, and that PNGC can come to our board meeting to report on the events that are occurring.

The board reviewed the moisture conditions as stated by PNGC, noting that the moisture is not as good as it looked in November. Grid West will be a very important factor in the strategic education planning session to be held in Eugene on January 25, 2005.

## OLD BUSINESS

Construction Work in Progress: Manager of Operations Bill Gabriel reviewed the work order summary with the board. Discussion was held on the planning description of work orders, which indicate there are not many work orders that are not completed.

(Motion) Capital Credit allocation: Lengthy discussion was held on allocating capital credits through the COSA method as well as the importance of following the COSA and allocation of capital credits in the same manner. The board discussed allocation of capital credits based on patronage to the membership as a whole, setting rates by COSA / allocating by COSA, and allocating only on cash transactions. Director Rust made a motion to allocate capital credits based on the formula used in previous years. It died for lack of a second. Discussion was

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held on having two allocations, one cash and one non-cash and directed management to investigate the possibilities. After lengthy discussion, Audrey Rust made a motion to allow BLEC employees the ability to visit with Moss Adams regarding this situation and then allocate the negative margins in 2003 based on membership commitment; then allocate 2004 margins to offset the 2003 negative margins to net the difference based on cash. Director Sikes seconded it. Motion carried 4-0 with Director Jacksch abstaining from the vote. Director Tayloe made a motion to allocate on gross margins. Director Sikes seconded it. Motion carried 4-0 with Director Jacksch abstaining from the vote.

(Motion) Annual Meeting: There will be a moment of silence in place of the invocation at the annual meeting, there will be a color guard, recognition of employees with service awards, and pictures of our crews working in the field. There will be no products displayed however; there could be booths from PNGC, ORECA, and NRECA. Discussion was held on changing the bylaws to have the annual meeting later in the year. Manager Tracy led a discussion regarding Director Tayloe being elected for a three-year term, which should have been only a one-year term with the three-year election to be established after the annual meeting vote in the year 2005. Lengthy discussion was held on the importance of keeping director elections in proper rotation of two one year, two the next year, and one the next year. To maintain a rotation scheme, the bylaws would need to be amended to eliminate the provision requiring the appointed director to stand for election at the first annual meeting after the appointment. Director Jacksch made a motion to leave the rotation as stated in the paper presented. Director Rust seconded it. Motion defeated 2-3 with Director Tayloe, Director Sikes, and Chairman Irwin casting a declining vote.

Irrigation Rate: Lengthy discussion was held on the need to read irrigation meters monthly, defining an irrigation season, having a different rate if the meter is used outside of the irrigation season, the need to pay a deposit if they are delinquent the prior year, establish if the service is really used as an irrigation account, governance to be done by the board, having the facility charge based on demand, billing for power consumed, and bylaw provisions.

Board room addition: Manager Tracy addressed the feeling and direction of the board regarding having the boardroom located on the main floor of headquarters. After discussion, it was decided to have an AWARE meeting downstairs as a trial run. Manager Tracy informed the board that Gary Holzbauer from District 3 has resigned from the AWARE committee.

### NEW BUSINESS

Election of Directors: Manager Tracy, in accordance with the bylaws, informed the board that district memberships are as follows: #1 - 580; #2 - 533; #3 - 564; #4 - 546; and #5 - 548. Since the districts are well balanced, no action is necessary for the annual meeting voting.

Board Governance: The Bylaw Committee is to look at holding the annual meeting in May and also look at the terms and length of board members. The board discussed if the Bylaw Committee should have involvement with the board governance policies and how involvement is educational to the members. It was decided that the Bylaw Committee would discuss this and bring something back to the board for their approval.

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Bylaw Committee Report: Manager Tracy reported to the board that the Bylaw Committee has almost completed their task with only a few changes remaining to be made. By board direction, new topics the committee needs to discuss are: capital credit allocations; right-of-way issues; and on-going education for directors. Discussion was held regarding the importance of BLEC's Audit Committee and the Committee's desire to have some of Sarbanes Oxley's concepts be drafted into BLEC's bylaws. Discussion was held that Sarbanes Oxley does not rule for cooperatives. The Bylaw Committee will meet again January 17, 2005.

Individual director's responsibilities: Discussion was held on what the board and staff's responsibilities are and the conclusion was that everyone needs to be fully informed. Manager Tracy suggested viewing tapes on governance that are in BLEC's library.

Vacation leave: The board directed the General Manager to take a well-deserved vacation. There was no specific amount of time defined, trusting it would not be abused.

MEMBER COMMENTS: There were none.

DIRECTOR ASSESSMENTS:

Comments: Overall, it was a very good meeting with healthy dialogue. Director Jacksch stated he twice refrained from voting because of the lack of a clear understanding on the subject and every meeting is a learning experience.

Expenses: Board expense records were turned in for approval.

Schedule of Events: January 4 & 5 is the PNGC meeting with Director Tayloe and Manager Tracy attending. January 25 is the PNGC training in Eugene. The February board meeting is tentatively set for February 22, 2005.

(Motion) EXECUTIVE SESSION

The board went into executive session at 11:09 p.m. After coming back into open meeting at 12:15 a.m., upon a motion by Director Jacksch and seconded by Director Tayloe, the board unanimously directed Manager Tracy to adjust the wage and salary compensation to employees and stay within the specified range as agreed upon in executive session, and bring the total compensation package up to and equal with the snapshot comparison as presented.

ADJOURNMENT

With there being no further business to come before the Board, Chairman Irwin adjourned the meeting at 12:20 a.m.

(SEAL)

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Michael E. Tayloe  
Board Secretary