

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners**

**Okanogan PUD Auditorium
1331 2nd Avenue North, Okanogan, WA**

**August 22, 2006
5:00 PM**

Present:

Board: Donald Johnson, Ernest Bolz, David Womack

Staff: Chuck Berrie, Doug Adams, Don Coppock, Warren Miller, Ron Gadeberg, Debra Peters, Steve Brown, Julie Pyper

Attorney: Michael Howe

Public: Rich Trimble - Energy Northwest
Trish Butler, George Wooten, Allison Welton, Cameron Emery

Summary Agenda

- I. Call to Order
- II. Approval of Agenda
- III. Consent Agenda Items
 - Minutes (moved from consent agenda)
 - Vouchers
 - Work Orders
 - Transfer of Accounts
- IV. Approval of Minutes of 8-8-06
- V. Public Comment
- VI. Action Agenda
 - 1. Energy Northwest Member Visit - Rich Trimble
 - 2. Adventure Camp Presentations
 - 3. NoaNet Financial Discussion
 - 4. Manager's Report
 - 5. Power Report
 - 6. Meetings
- VII. Public Comment
- VIII. Executive Session
- IX. BPA Slice Litigation Discussion
- X. Adjournment

I. Call to Order:

President Johnson called the meeting to order at 5:00 p.m.

II. Approval of Agenda:

Manager Berrie added to the agenda a Slice litigation discussion following executive session. President Johnson noted that attorney Howe would not be available after 7:30 p.m.

The Adventures Camp Presentations were moved on the agenda to accommodate the students' arrival at 5:30 p.m.

Commissioner Womack moved, seconded by Commissioner Bolz, to approve the agenda as amended. The motion carried unanimously.

III. Consent Agenda Items:

The Minutes of the August 8, 2006 meeting submitted for approval were removed from the consent agenda for separate discussion as Commissioner Johnson had amendments to offer.

The following vouchers were submitted for approval:

Voucher numbers 93125 through 93220 in the amount of \$155,198.43, vouchers 93221 through 93246 in the amount of \$231,482.09, vouchers 93247 through 93346 in the amount of \$557,156.57, and voucher 93347 in the amount of \$90,453.73.

The following work orders were submitted for approval:

06-0159 Ron Fowler, 86 Spring Rd.	\$ 4,786.00
06-0307 District, Thayer Rd.	1,598.00
06-0308 District, Eastlake Rd.	1,860.00
06-0312 District, 23 Boundary Point Rd., Oroville	918.00
06-0332 Phil Lund, Burma Rd.	6,840.00
06-0365 Helen Sweat, Fiker & Ross Canyon	2,639.00
06-0368 District, Hwy. 7 @ SW 1109	1,696.00
06-0381 Jared Meharry, Valley Rd.	5,894.00
06-0384 Doug Arnold, Lemansky Rd.	7,793.00
06-0408 District, 146 Golden Rd.	1,545.00
06-0419 Allen Utecht, N. Pine Creek	4,176.00
06-0420 Jerry Jensen, Sterling Lane	4,521.00
06-0424 Debra Kapochus, 37 Connect Rd.	2,528.00
06-0425 Rodney & Kitty Reinbold, W. of Okan. Fairgrounds	9,442.00
06-0426 Adelle Moore, N. Cordel Rd.	7,707.00
06-0437 District, Cliff Ave., Brewster	1,728.00
06-0438 City of Oroville, 233 Eastlake Rd.	5,604.00
06-0444 Dale & Rhonda White, Havillah Hwy.	3,953.00
06-0446 Randy Pancierzewski, 20 Rustler's Hideaway	3,416.00

06-0451	Derek Hartzell, 91 Mountain Vista Lane	7,568.00
06-0454	District, Piper Lane, Twisp	3,590.00
06-0457	Mark Campbell, 67 Old Anglin Rd.	3,095.00
06-0458	David Saulsbury, Coyote Lane, Brewster	3,582.00
06-0459	BTO/Steve Varrelman, 137 Hwy. 153	3,452.00
06-0460	District, N. of Carlton River Crossing	4,749.00
06-0461	Whitley Fuel, 325 Van Duyn Ave. N., Okanogan	1,413.00
06-0463	Wind Whitehill, 1055 State Hwy. 20	6,944.00
06-0464	Tom Downey, 360 E. Grape	1,191.00
06-0465	Claude Miller, 1173 Hwy. 153	10,691.00
06-0468	Ron & Karen Elkins, W. of Okanogan Fairgrounds	674.00
06-0469	District, Burma Rd.	1,049.00
06-0471	Kenny Blackman, 37 Wildcat Rd., Tonasket	4,618.00
06-0474	Tim Odell, Cascade Lane, Twisp	6,751.00
06-0475	District, alley between Main Ave. & Jay Ave.	2,106.00
06-0477	Pedro DeLaCerde, 101 N. Bridge St.	1,413.00
06-0478	District, Hwy. 153 N. of switch #3541	11,877.00
06-0479	Kathleen Lindsay, 1652 Loomis Rd.	2,021.00
06-0488	District, 325 Van Duyn Ave., Okanogan	1,569.00
06-0489	Gary Fant, 448 Hwy. 7 S.	1,041.00
	Total:	\$158,038.00

The following accounts/invoices were submitted for write-off/collection due to nonpayment:

Allen, Michael H.	\$227.62
Aparicio, Jesus Jr.	108.49
Bainard, Rachel	471.26
Cardenas, Anita	440.65
Davidson, Alice (Estate)	376.47
Donovan, Derek	323.92
Elkins, Shelley (Estate)	222.78
Eslick, Jack (Estate)	147.13
Fox, Lee	451.79
Freels, Doug	458.98
Gaut, Rebecca	17.25
Giesen, Travis & Knight, Jennie	395.34
Green, Monica L.	524.13
Gregg, Eric	453.05
Haulet, Richard	155.80
Hill, Joseph D. (Estate)	115.47
Keele, Jason	91.41

Lovejoy, Clyde Jr.	1,007.63
Malissos, Thomas Lee	232.33
McKinney, Kenneth A.	266.87
Moore, Jeanette & Walter	173.73
Morris, Crystal	272.64
Murphy, Tina L.	168.49
Ornelas, Laureano	225.54
Perez, Stacie M.	344.64
Pilcher, Janet M.	172.73
Searcy, Sheila	64.11
Sims, Tim	171.87
Stanley, Rachelle	96.97
Taylor, Cami J. & Josh	397.98
Wilson, Sadie	62.03
Total	\$8,639.10

Commissioner Bolz moved, seconded by Commissioner Womack, to approve the consent agenda with the exclusion of the Minutes. The motion carried unanimously.

IV. Approval of Minutes of 8-8-06:

Commissioner Womack moved, seconded by Commissioner Bolz, to approve the Minutes of the August 8, 2006 meeting.

Commissioner Johnson made motions to amend the August 8, 2006 Minutes, which failed for lack of a second.

The motion to approve the Minutes of the August 8, 2006 Minutes as presented carried two to one with Commissioner Johnson opposed.

V. Public Comment:

There were no public comments.

VI. Action Agenda:

1. Energy Northwest Member Visit - Rich Trimble:

Rich Trimble updated the Board on the following projects and activities of Energy Northwest:

- The Columbia Generating Station is on-line and currently in the longest continuous run of operating 416 consecutive days without a shut down.
- Energy Northwest is in the process of developing the Pacific Mountain Energy

Center, a 600 MW integrated gasification combined cycle project that is expected to be commissioned in 2012. The projected energy costs of the project are 40 mills.

- The Phase III expansion of the Nine Canyon Wind Project will add an additional capacity of 32 megawatts with existing participants. (Okanogan PUD has elected not to participate in Phase III; however, to secure the financing of Phase III the District will be asked to have an energy obligation for an additional four years.)
- Energy Northwest is attempting to develop a 50 MW wind project near Reardan entirely as a public power project.
- Energy Northwest has been selected as consultant/developer of a dairy biomass digester project in the Enumclaw area.
- Energy Northwest will host a member forum on September 28-29, 2006 in Richland. Of interest will be the renewable energy portfolio standard initiative.

2. Adventures Camp Presentations:

Tonasket students Allison Welton and Cameron Emery shared their experiences from Western Washington University's SPY (Summer Programs for Youth) Camp. The students were sponsored by the District to attend the one-week camp in July, which has an energy, environmental or conservation component attached to the curriculum. They participated in Introduction to Engineering Technology.

3. NoaNet Financial Discussion:

The Telecom Manager provided an update on NoaNet financial matters. As the result of a significant bandwidth sale that exceeded the remaining capacity on the NoaNet System, a \$5 million capital project was approved by the NoaNet Board to expand the system capacity with the understanding that the bandwidth contract provide enough funds to pay off the \$5 million debt. A majority of the Members declined to loan the funds and preferred that NoaNet secure a loan. A variable rate line of credit of \$5 million was selected to allow the NoaNet membership to consider various alternatives to fund the expenditure; however, it was determined that \$4 million would be required for the network upgrade.

A covenant of the secured line of credit requires NoaNet to modify its Bylaws to require a member who wishes to leave NoaNet to assume their share of existing financial liabilities. In addition, a higher interest rate would be charged if the Bylaws were not unanimously approved, and any membership withdrawal greater than 10% would trigger a higher interest rate. The proposed Bylaws were discussed at the August 9, 2006 NoaNet Board meeting, and the consensus was that a change to the Bylaws would be not affirmed by all members.

Alternative proposals are: Option 1: Members provide a guarantee of percentage ownership to the bank for their share of the \$4 million plus an extra 20% because of the bank's requirement regarding the Bylaws. (Okanogan PUD's share would be \$264,000); Option 2: Members loan their percentage of the line of credit repaid over a 4-year term at 6.37% interest. Repayment of the \$4 million is guaranteed by contract with the large customer. (Okanogan PUD's share would be \$275,000); Option 3: No investment by Okanogan PUD if other members loan the District's share of the investment.

Okanogan PUD must make its decision by the next NoaNet Board meeting on September 14, 2006, which requires the Board to take action on this item at its September 12, 2006 meeting.

4. Manager's Report:

The Manager's report included the following information:

- Demand for wireless telecommunication services has exceeded the District's expectations. Local ISP's have placed over 830 wireless units into service.
- The District's 2004 and 2005 annual reports are completed and available for review.
- Lead time for delivery of transformers has increased and prices have nearly tripled due to the impact of the steel, copper, aluminum and oil markets. The 2006 capital materials and supplies budget included \$350,000 for the normal additions/replacements of transformers. A current bid is expected to return in the range of \$1.1 million.
- Discussions are ongoing with the DOE and officials regarding allocation of funding for water storage sites. The Manager has drafted for the Board's review a letter expressing the District's interest in completing a study of the Similkameen River for the potential construction of a multi-purpose water storage facility.
- Several utilities have come out in opposition to I-937 even though the Washington PUD Association voted to support the initiative. Additional information will be available at the Energy Northwest Forum in September.
- There was discussion on the potential impact to public utilities of I-953.
- Updated fire information was provided.
- Pictures were viewed of several large wind farm projects in California.

5. Power Report:

The following information was presented:

- Sales of surplus wholesale and retail power were projected to exceed original budget forecasts by \$1.85 million for the year. Sales of surplus wholesale power exceeded original budget forecasts by \$356,599 for the month of July.
- The last two meetings of the Okanogan County woody biomass feasibility study committee were cancelled due to the fire situation. Representatives of the Energy Northwest, Conservation District and Okanogan PUD will participate

in a tour on August 29, 2006 of the CIPV and Zosel Lumber facilities.

6. Meetings:

Commissioner Johnson traveled with the Manager and Chief Engineer on August 9, 2006 to view the site above Enloe Dam being considered for a feasibility study.

The next Okanogan PUD Board meeting is scheduled for September 12, 2006 at 12:30 p.m. at the Okanogan PUD auditorium.

VII. Public Comment:

George Wooten discussed power line fires and the importance of dialoging with critical facilities. He commended the PUD on initiating the Loup Loup thinning project with the Forest Service and proposed that the PUD consider a collaborative effort on the Methow power line proposal following the legal challenge.

VIII. Executive Session:

President Johnson recessed the Commission into executive session at 6:45 p.m. for 30 minutes to discuss litigation and personnel, with anticipated action to follow.

President Johnson reconvened the Commission into regular session at 7:14 p.m.

IX. BPA Slice Litigation Discussion:

Manager Berrie reported that a settlement has been reached between Bonneville Power Administration, Northwest Requirements Utilities and the Slice Customers over several issues relating to the allocation of costs with regards to the Slice Contract litigation. The proposed Settlement Agreement resolves the claims and issues pending before the Court and defines the future protocol of Slice True-Up matters.

Commissioner Bolz moved, seconded by Commissioner Womack, to authorize the Manager to sign the proposed Slice Settlement Agreement with BPA in substantially the form described to the Board. The motion carried unanimously.

X. Adjournment:

The meeting adjourned at 7:16 p.m.

Donald W. Johnson, President
ATTEST:

Ernest J. Bolz, Vice-President

David A. Womack, Secretary

Julie Pyper
Administrative/Executive Assistant
Okanogan County PUD
509-422-8481