

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

Okanogan PUD Auditorium
1331 2nd Avenue North, Okanogan, WA
September 12, 2006
12:30 PM

Present:

Board: Donald Johnson, Ernest Bolz, David Womack
Staff: Chuck Berrie, Doug Adams, Don Coppock, Warren Miller,
Derek Miller, Ron Gadeberg, Steve Brown, Julie Pyper
Attorney: Michael Howe
Public: Jerry Tretwold, George Wooten, Trish Butler, Chris Thew

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 8-22-06
- V. Public Comment
- VI. Action Agenda
 1. Brewster Airport Commissioners
-- Airport Line Proposal
 2. NoaNet Members' Financial Decision
 3. Addendum to Osmose 2006 Contract
 4. Set Commission Meeting Schedule
 5. Manager's Report
 6. Power Report
 7. 2004/2005 Annual Reports and Related Information
 8. Meetings
- VII. Public Comment
- VIII. Executive Session
- IX. Substation Real Estate
- X. Adjournment

I. Call to Order:

President Johnson called the meeting to order at 12:30 p.m.

II. Approval of Agenda:

President Johnson noted that the Brewster Airport Commissioners would be represented by Jerry Tretwold. Johnson requested that the Minutes be removed from the consent agenda for consideration. He added to the agenda a discussion of the 2004 and 2005 annual reports and related information.

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

III. Consent Agenda Items:

The Minutes of the August 22, 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 93348 through 93470 in the amount of \$1,282,688.60, vouchers 93471 through 93497 in the amount of \$221,368.10, vouchers 93498 through 93560 in the amount of \$276,358.99, vouchers 93561 through 93633 in the amount of \$193,746.11, and vouchers 93634 through 93637 in the amount of \$407,817.04.

The following work orders were submitted for approval:

05-0237	Bruce Dorrbecker, Doe Haven Rd.	\$12,143.00
05-0440	Robert & Cynthia Sparrow, Amanda Rd. - Sidley Lake	4,767.00
06-0223	Harry & Judy Himmelhaver, Indian Dan Canyon	10,140.00
06-0251	Roger Trepanier, 164 Fletcher Mtn. Rd.	4,633.00
06-0260	District, Molson area	860.00
06-0354	District, Western Ave., Tonasket	2,119.00
06-0355	Daryl White, 605 Ives St., Pateros	5,138.00
06-0371	Lloyd Grow, Scenic Dr. - Harmony Heights, Brewster	4,608.00
06-0374	District, Aeneas Valley	2,301.00
06-0428	District, 1096A, Hwy. 7	1,487.00
06-0442	District, Alder Rd., 16th St., Oroville	1,124.00
06-0453	Gary Baird, Mountain Point Rd. E.	4,334.00
06-0467	John Carnes, 679 Bill Shaw Rd.	4,332.00
06-0470	Ed Holbrook, 215 S. Fork Gold Creek Rd., Carlton	3,539.00
06-0472	Sawyer & Sawyer Excavation, 3 McLaughlin Canyon Rd.	591.00
06-0484	Greg Bissell, 601 Cape Labelle Rd.	1,270.00
06-0490	Steve Bayley, Industrial Lane	1,866.00
06-0491	NCNB, Hwy. 20 & 2nd Ave., Twisp	5,069.00

06-0493 District, Hwy. 20 & 2nd Ave.	2,179.00
06-0497 District, Lime St.	2,455.00
06-0501 Cascade Holding, 75 Pioneer Rd., Brewster	1,276.00
06-0502 District, McFarland Creek Rd.	2,374.00
06-0506 District/Timentwa, 26935 Hwy. 97	1,344.00
06-0510 District, Oroville 5000 Circuit Get-Away	19,670.00
06-0511 Ross Barnard, 201 Libby Creek Rd., Twisp	1,768.00
06-0512 District, Hwy. 153 N. of Methow	3,145.00
06-0516 Gerald Oakes, 50 Pinecrest Rd. N.	1,256.00
06-0518 Judith Little, 29 Barn Dance Dr.	1,962.00
06-0526 Dick Shifflet, 133 Miller Rd.	1,809.00
Total:	\$109,559.00

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

Anderson, W. Matt & Connors, Vicki	\$294.90
Barnes, Darlene & Dean	116.24
Bartlett, Violet "Alex"	121.98
Bellisle, Eric	37.68
Bergenholtz, Sara M.	349.04
Bergland, Robert T.	109.73
Boosted, Gary	289.20
Bright, Robert	159.77
Burch, Michael K. (Estate)	255.86
Campbell, Michele	92.10
Cook, Karen	35.47
Daniels, JoAnna & Triston	101.31
Demmitt, Rebecca E.	145.53
Edson, Scott E.	281.01
Figueroa, Graciela	268.61
Funk, Scott	99.06
Gage, Stephen A.	314.01
Gilliam, Dan	368.83
Gronlund, Glenn & Gianina	147.98
Harris, Elizabeth	81.84
Hernandez, Camerino & Kathy	422.23
Hernandez, Georgene (Estate)	146.07
Jim, Karen	24.44
Johnson, Cayne J.	68.22
Jones, Jessica M.	104.44
Kessler, Curtis	9.91

Kincaid, Dora L.	186.12
Knowles, Cherry	167.57
Long, Trina	188.53
McClure, Kathleen E.	6.77
McWilliams, Kara	224.20
Mortimer, Tonya N.	129.29
Petersen, Carole S.	102.54
Pielock, Veronica	527.10
Pratt, Kathryn	484.64
Reidt, Jeff & Taryn	206.69
Remington, Michelle	85.94
Reynolds, Mervin	123.68
Ringwood, Anne F.	354.20
Ringwood, Anne F.	134.99
Robison, Esther & Larry	33.73
Rosario Sierra, Elida	206.19
Rosenkrance, Janie & Sheldon	1.63
Sandy, Keith	197.09
Smith, John A.	49.67
Thomas, Cecelia	83.07
Thompson, Cathy Ann	233.44
Timentwa, Eric & Bourgeau, Monique	40.09
Wakan, Nikki	184.08
Weitman, Jeff	256.73
Wilson, Brad	302.73
Winkelkotter, Clint	5.30
Total	\$8,961.47

Submitted for transfer to Account #54593-9 in the name of Bessie Williamson-Jacobs and Daniel Jacobs was Invoice #4115 in the amount of \$95.56.

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

IV. Approval of Minutes of 8-22-06:

Commissioner Johnson moved, seconded by Commissioner Bolz, to amend Item 5 - Power Report of the August 22, 2006 Minutes to reflect the information presented as follows:

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 motion carried unanimously.

In addition, Commissioner Johnson presented motions he made at the August 22, 2006 meeting to amend the August 8, 2006 meeting Minutes for inclusion in the written records for the meeting.

V. Public Comment:

George Wooten of Twisp expressed concern with the cash management goal established by the District. Because the District is a non-profit utility, he asked if the Commissioners had determined at what point the reserve would be considered a profit, if they had considered establishing a maximum goal, and if the reserve is to pay for the Methow transmission line.

VI. Action Agenda:

1. Brewster Airport Commissioners - Airport Line Proposal:

On behalf of the Brewster Airport Commission, Brewster City Councilman Jerry Tretwold presented a request to the PUD to waive the installation and materials fees for an approximate 300' line extension at the Brewster Airport. The request is supported by a limited Airport budget for 2006 of \$2,500 and the need to install lighting to address safety issues for entering and exiting the airport access road. Following a recent renovation project at the Airport there is also interest in building new or expanding existing facilities at the Airport, including a fuel card-lock system.

The Board directed staff to review the proposal and return with a recommendation at the September 26, 2006 meeting.

2. NoaNet Members' Financial Decision:

The Telecom Manager provided a summary of NoaNet's funding issue, as the Members' positions will be required at the September 14, 2006 Special Board of Directors meeting.

As discussed at the last meeting of the District, a significant bandwidth sale that exceeded the remaining capacity on the NoaNet System resulted in a \$5 million capital project being 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 elected 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 withdrawing NoaNet member to assume their share of existing NoaNet liabilities. If the Bylaws are not changed, the line of credit interest rate increases 1.5% (from 7.8% to 9.3%). In addition, any membership withdrawal greater than 10% ownership triggers an interest rate of 12%. After discussing the Bylaw changes, the NoaNet Board tabled the proposed changes because a majority vote by the members was not perceived to be achievable.

Member options for funding the \$4 million Line of Credit are:

Option 1: Provide a Member guarantee of percentage ownership to the bank plus 20% debt service coverage requirement for guaranteeing loan. (Okanogan PUD's 5.5% share would be \$220,000 plus 20% for a total guarantee of \$264,000).

Option 2: Loan up to Okanogan PUD's 5.5% share of \$4 million (\$220,000) and receive repayment of 6.37% interest over four years in the approximate amount of \$29,456. The repayment is guaranteed by the large customer contract.

Option 3: No investment assuming other members invest enough to cover Okanogan PUD's share.

Option 4: If Okanogan PUD does not provide a bank guarantee, or if no investment is made by the District and there is not enough investment by other members, then the NoaNet Board could require a guarantee and a Member not responding would be expelled.

Staff's recommendation is to hold back and not offer a guarantee or funds, but to support an investment by the District up to 5.5% or \$220,000 maximum if other members do not cover the \$4 million requirement.

Commissioner Womack moved, seconded by Commissioner Bolz, to accept the staff recommendation for the District to hold back and not offer to NoaNet a guarantee or funds, but to support an investment by Okanogan PUD up to 5.5% or \$220,000 maximum if other members do not cover the \$4 million requirement. Commissioner Johnson supported a wait and see position before discussing if the District should contribute additional funds. Okanogan PUD already has a large stake in NoaNet and he is not in favor of increasing the investment. In addition, he stated that the large customer should have had adequate funds to finance their own infrastructure, and the Bank's covenant pertaining to the Bylaws and withdrawal of participants is a concern with regard to the viability of the NoaNet organization. The motion carried two to one with Commissioner Johnson opposed.

3. Addendum to Osmose 2006 Contract:

Staff requested authorization to enter into an Addendum to the 2006 Osmose Contract in the amount of \$12,000.

The District entered into a test and treat contract with Osmose in 2006 with a \$150,000 budget limitation. The budgeted amount was based on the 2005 Contract, which provided for the testing and treating of the District's transmission poles. The Contract for year 2006 was to begin the testing on distribution poles starting in the north with poles fed from the Oroville substation. As of September 1, 2006 Osmose had tested 2099 poles at an invoiced cost of \$142,000; however, there remains approximately 900 poles fed from the Oroville substation that staff desires to have GPS mapped and inspected in order to complete all of the poles from the substation. The Addendum would complete the process for the Oroville substation in 2006 and allow the District to begin the 2007 pole testing at another substation.

Commissioner Bolz moved, seconded by Commissioner Womack, to accept the staff recommendation and authorize the Manager to sign the presented Addendum to the Osmose 2006 Contract, with a not to exceed amount of \$12,000. The motion carried unanimously.

4. Set Commission Meeting Schedule:

The next Okanogan PUD Board meeting is scheduled on September 26, 2006 at 5:00 p.m. at the Okanogan PUD auditorium.

The Board set the following meeting schedule:

October 3 3:00 p.m. Special Meeting (2005 Annual Report Review)
October 10 12:30 p.m.
October 24 5:00 p.m.
November 7 12:30 p.m.
November 21 12:30 p.m.
December 5 12:30 p.m.
December 19 12:30 p.m.

5. Manager's Report:

The Manager's report included the following information:

- The District's 2004 and 2005 Annual Reports will be posted on the PUD website.
- The revised 2006 budget will be presented at the September 26, 2006 meeting. The 2007 proposed budget will presented at the October 10, 2006 meeting.
- A training session for District staff will be provided by the Colville Tribe at 9:00 a.m. on September 28, 2006 at the County Commissioners' hearing room.

The Commissioners are invited to attend.

- Letters from the Tribe and Cities are being sought to support the District's letter of interest in completing a study of the Similkameen River for the potential construction of a multi-purpose water storage facility.
- A contract agreement to install a wireless tower on McClure Mountain near Twisp for service south to Carlton has been negotiated.
- The staff was recognized for their efforts with the electrical demonstration and zero energy building at the County Fair.

6. Power Report:

Staff reported that wholesale power sales netted approximately \$560,000 for the month of August, which is about \$100,000 above the original budget estimate. Wholesale power sales for the year are anticipated to exceed the original budget estimate by \$793,000. The volume of water was noted to be slightly below average and market prices slightly higher than anticipated.

7. 2004/2005 Annual Reports and Related Information:

Commissioner Johnson submitted to Commissioners and Management a discussion report of the 2004 and 2005 Okanogan PUD Annual Reports and related information.

8. Meetings:

Commissioner Bolz will attend the BPA Allocation Workshop in Portland on September 17-19, 2006.

Commissioner Womack will attend meetings of the Washington PUD Association on September 13-15, 2006 at Franklin County PUD.

VII. Public Comment:

George Wooten commented and asked questions regarding the 2004/2005 Annual Reports and the discrepancies in the 2007/2008 projections for the transmission project and the facilities rebuild.

VIII. Executive Session:

President Johnson recessed the Commission into executive session at 2:20 p.m. for 30 minutes to discuss litigation and property negotiations, with action anticipated.

President Johnson reconvened the Commission into regular session at 2:50 p.m.

IX. Substation Real Estate:

Staff requested authorization to enter into an Option to Purchase Agreement for a future substation site.

The District needs to acquire land for a future substation in the Methow Valley between the existing Pateros and Twisp substations to meet current and future needs. John Umberger has 20 acres available for sale in a location suitable for this purpose. With approximately two acres needed for the site, disposition of the remaining land would be determined at a later date.

Staff and the District's attorney have negotiated the terms of an Option to Purchase Agreement, which allows the District to perform the necessary review process prior to agreeing to purchase the stated property. The review process will entail a soils analysis, highway access, and cut and fill projections. If by November 30, 2006 the District determines the site will fully meet its purposes, staff will provide a recommendation to exercise the Option. Consideration for the Option is the sum of \$5,000 to be credited against the purchase price of \$400,000. If the Option is not exercised, the sum of \$5,000 will be nonrefundable.

Commissioner Bolz moved, seconded by Commissioner Womack, to authorize the District to enter into an Option to Purchase Agreement for the identified 20 acres of John Umberger property, and authorize the Manager to sign said document and process payment of \$5,000 to Umberger. Commissioner Johnson stated that the property size and cost exceeds the PUD's projected needs, and the action is premature. The motion carried two to one with Commissioner Johnson opposed.

X. Adjournment:

The meeting adjourned at 3:00 p.m.

Donald W. Johnson, President

ATTEST:

Ernest J. Bolz, Vice-President

David A. Womack, Secretary

Julie Pyper
Administrative/Executive Assistant
Okanogan County PUD
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