

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

**Okanogan PUD Auditorium
1331 2nd Avenue North, Okanogan, WA
October 10, 2006
12:30 PM**

Present:

Board: Donald Johnson, Ernest Bolz, David Womack
Staff: Chuck Berrie, Don Coppock, Steve Brown, Julie Pyper
Public: Chris Thew - The Chronicle
Trish Butler

Summary Agenda

- I. Call to Order
- II. Approval of Agenda
- III. Consent Agenda Items
 - Minutes of 9-26-06 & 10-3-06
 - Vouchers
 - Work Orders
- IV. Public Comment
 - Action Agenda
 - 1. 2007 Preliminary Budget
 - 2. Brewster Airport Line Extension/Interlocal Agreement
 - 3. Nine Canyon Wind Project
 - 4. Manager's Report
 - 5. Hydroelectric Licensing Project Manager
 - 6. Initiative 937
 - 7. Meetings
- VI. Public Comment
- VII. Adjournment

I. Call to Order:

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

II. Approval of Agenda:

The Minutes of the 10-3-06 Special Meeting were added to the consent agenda.

Additional items added to the action agenda included a discussion on creating a new Hydroelectric Licensing Project Manager position and a discussion on Initiative 937.

The executive session was removed from the agenda.

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 September 26, 2006 regular meeting and the October 3, 2006 special meeting were submitted for approval.

The following vouchers were submitted for approval:

Voucher numbers 93815 through 93840 in the amount of \$218,499.64, vouchers 93841 through 93936 in the amount of \$830,095.06, and vouchers 93937 through 94027 in the amount of \$348,450.47.

The following work orders were submitted for approval:

04-0580	Ted Vasilieff, Toby's Mill Rd.	\$ 2,872.00
05-0434	District, Antoine Creek/Goat Mtn.	2,733.00
06-0072	Lynn Barnett, 577 Old Hwy. 97	969.00
06-0082	District, Hwy. 153	2,537.00
06-0156	Ted Zink, 522 Siwash Creek Rd.	32,569.00
06-0248	UCAN Properties/Blue Lake Development, Blue Lk. Rd.	34,698.00
06-0395	Jim Platt, White Tail Lane	47,216.00
06-0487	District, Mill St.	2,623.00
06-0500	S&H Homes/Nicholas, 41 Dry Coulee Rd.	2,454.00
06-0523	Dave Sunde, 1579 Pine Creek Rd.	4,264.00
06-0533	Raymond Dagnon, 22 Similkameen Rd.	6,659.00
06-0554	Ron Vertner, Mill St., Okanogan	823.00
06-0558	Kathy Valenta, 6 Mtn. View Dr. - Crumbacher	1,041.00
06-0562	District/Sid Norris, Loomis-Oroville Rd.	9,203.00
06-0563	Dan & Mary Lou Peterson, 1671 Hwy. 7	2,564.00
06-0564	Dan Vanover, Lot 48, Div. 7, Nine Mile Ranch	6,340.00
06-0567	Richard Scott, 84 Wannacut Lake Rd.	1,006.00
06-0568	District, Riverview Heights, Brewster	1,334.00
06-0571	City of Tonasket/Dave Hanna, Tonasket Airport	3,635.00
06-0572	District, Hwy. 153 & Danzel Rd.	4,141.00
06-0573	U.S. Forest Service, Spears Ranch, Loomis	2,522.00
06-0575	Larry Varga, Lot 1154, Okanogan River Ranches #7	4,680.00

06-0576	Patrick & Jodi Davisson, Rooster Flats Rd.	9,508.00
06-0577	Mike & Yvonne Zoretic, 255A Alta Lake Rd.	1,831.00
06-0581	Bob Tollefson, 2414 Chesaw Rd.	4,892.00
06-0583	Peterson, Stefanie & Phil, Pharr Rd., Riverside	5,672.00
06-0584	Mike Popelier, 48 Nichols Rd.	1,339.00
06-0589	No Creek, Inc./Terry Budiselich, Lot 2, Glory Rd.	7,454.00
06-0590	Jeff Lorz, 453B S. Pine Creek Rd.	2,125.00
06-0591	Sabrina Viebrock, Hwy. 97	5,600.00
06-0593	Ronda Marchand, 408 Omak-Riverside E. Rd.	873.00
06-0596	Jim Morgan, 429 S. Pine Creek Rd.	1,264.00
06-0597	Reggie Zwald, Lot 152, Okanogan River Ranches #6, Overland Rd.	3,550.00
06-0599	Mike Maitland, 199 Bill Shaw Rd.	932.00
06-0600	Clare Winder, Horn Ranch Rd.	7,082.00
06-0603	Verizon Telephone, 637 Aeneas Valley Rd.	1,713.00
06-0606	Doug Orr, Tonasket Airport Hangar	761.00
06-0608	Jeff Delfeld, Omak Creek - Mill Yard	3,294.00
	Total	\$234,773.00

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

IV. Public Comment:

There was no public comment.

V. Action Agenda:

1. 2007 Preliminary Budget:

The 2007 proposed budget submitted for the Board's review projects revenues of \$45.7 million, operating expenses of \$38.3 million, a capital outlay of \$19.3 million, and a transfer from reserves of \$11.9 million. Discussion on the 2007 budget is scheduled as follows:

October 24, 2006

- Comparison of 2006 and 2007 budgets
- Electric Operations and Maintenance
- Personnel - staffing and salary ranges
- Power Supply/Management - discussion and review of power sales (retail/secondary) and power costs
- Electric Revenues

November 7, 2006

- Answer questions from October 24th meeting
- Cash Management - establish funds and reserve levels
- Enloe Dam - Entrix presentation

November 21, 2006

- Answer questions from November 7th meeting
 - Electric Capital Expenditures - review five-year plan
 - Telecommunications
 - Five-Year Forecast and Cash Analysis
- discussion and review of adequacy of rates

December 5, 2006

- Answer questions from November 21st meeting
- Adopt 2007 Budget

The hearing on the adoption of the 2007 budget was continued to the next meeting on October 24, 2006 at 5:00 p.m.

2. Brewster Airport Line Extension/Interlocal Agreement:

As a follow-up to the October 3, 2006 meeting, staff presented a revised Interlocal Agreement for the City of Brewster and Okanogan PUD to cooperate in the installation and extension of electrical utility facilities at the Anderson Field Municipal Airport owned and operated by the City of Brewster. The Agreement provides for the City to reimburse the PUD for the full cost of installation of said electrical utility line extension in equal annual payments over a five-year period together with a monthly service fee.

Following discussion to clarify the payment terms and to change the date of the Agreement from September to October, Commissioner Womack moved, seconded by Commissioner Bolz, to accept the Interlocal Cooperation Agreement between Okanogan PUD and the City of Brewster with the noted changes and to authorize the Manager to sign the Agreement on behalf of the District. The motion carried unanimously.

3. Nine Canyon Wind Project:

Manager Berrie discussed the District's concerns with unresolved issues relative to the Second Amended and Restated Nine Canyon Power Purchase Agreement, which must be approved by all current Purchasers before the Phase III Project can go forward. Since Okanogan PUD has previously elected to not purchase any of Phase III generation from the Nine Canyon Wind Project, the District's primary concern with amending the existing First Amended and Restated Nine

Canyon Power Purchase Agreement is to ensure that Okanogan PUD's cost and benefit objectives are met.

Issues raised by Okanogan PUD with Energy Northwest reference the need to develop language for termination starting as early as 2023 and the need to develop language to hold Okanogan PUD harmless if the combined average design capacity factor is not achieved.

The Board will readdress the Nine Canyon Power Purchase Agreement when additional information becomes available.

4. Manager's Report:

The Manager's report included the following information:

The Fox Mountain wireless telecommunications tower will be operational by the end of this week. The tower will provide service in the Malott/Pleasant Valley area.

The court date for the Methow Transmission Line EIS adequacy hearing is likely to be postponed to a later date in October.

The State Auditors completed their audit of the District's finances for fiscal year 2005 on October 4, 2006. An exit conference is scheduled for October 25, 2006.

The District's 2005 Annual Report is available for public viewing on the District's website.

The Wenatchee Valley College has joined with public utility districts, including Okanogan PUD, in developing an energy technology program.

The October 9, 2006 Clearing Up publication reports that early forecasting calls for a below-average water year. The publication also reports that load growth in the northwest over the past year ending in June exceeded 1000 MW, and that if this rate of growth persists through next June the region will have topped the highest annual average load set in mid-2000.

An article in the October 2, 2006 edition of The Spokesman-Review discusses four proposed reservoir sites. Staff noted this initial study is expected to be combined with the additional allocation being proposed for water storage.

Manager Berrie met with the Tribe earlier today and informed them of the District's potential large water storage study. The Tribe expressed interest in the project and intends to form a strategic planning group.

5. Hydroelectric Licensing Project Manager:

Manager Berrie presented for the Board's consideration a job description for the proposed position of Hydroelectric Licensing Project Manager. This position would lead the District's efforts in managing the development, licensing and construction of hydroelectric facilities.

The Board will address the new position pending further review.

6. Initiative 937:

The Commissioners and staff discussed Initiative 937 as a follow-up to Energy Northwest's Member Forum focusing on renewable energy. The proposed initiative would require electric utilities serving 25,000 or more customers to obtain 15 percent of their energy needs from renewable resources by 2020.

While recognizing that renewable resources are an important part of our energy future, the Okanogan PUD Commissioners had differing opinions on the initiative as written and opted as a Board to not take an official position.

7. Meetings:

Commissioners Johnson, Bolz and Womack attended the Member Forum of Energy Northwest in Richland on September 28-29, 2006.

Commissioner Bolz will attend the Board of Directors meeting of NoaNet in Seattle on October 11, 2006.

Commissioner Womack will attend meetings of the Washington PUD Association hosted by Lewis County PUD in Chehalis on October 18-20, 2006.

The next Okanogan PUD Board meeting is scheduled on October 24, 2006 at 5:00 p.m. at the Okanogan PUD auditorium.

VI. Public Comment:

There was no public comment.

VII. Adjournment:

The meeting adjourned at 2:20 p.m.

Donald W. Johnson, President

ATTEST:

Ernest J. Bolz, Vice-President

David A. Womack, Secretary