

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

**Okanogan PUD Auditorium
1331 2nd Avenue North, Okanogan, WA
December 5, 2006
12:30 PM**

Present:

Board: Donald Johnson, Ernest Bolz, David Womack

Staff: Chuck Berrie, Doug Adams, Don Coppock, Derek Miller, Dan Boettger, Ron Gadeberg, Steve Brown, Julie Pyper

Attorney: Michael Howe

Public: Trish Butler, Vicky Welch, 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. Public Comment
- V. Action Agenda
 - 1. Resolution No. 1319 - Adopting Final Budget for 2007
 - 2. Rejection of All Bids for High Voltage Power Transformer
 - 3. Manager's Report
 - 4. Power Report
 - 5. Meetings
 - 6. Nine Canyon Wind Project Discussions
 - 7. Approval of Minutes
- VI. Public Comment
- VII. Executive Session
- VIII. Adjournment

I. Call to Order:

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

II. Approval of Agenda:

The Setting of Commission Meetings was added to the Agenda under Item 5 - Meetings.

The title of Agenda Item 2 was changed to "Rejection of All Bids for High Voltage Power Transformer."

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 November 21, 2006 regular meeting and November 22, 2006 special meeting were submitted for approval.

The following Vouchers were submitted for approval:

Voucher numbers 94664 through 94686 in the amount of \$213,531.03, vouchers 94687 through 94734 in the amount of \$937,459.52, and vouchers 94735 through 94908 in the amount of \$415,078.46.

The following Work Order was submitted for approval:

06-0498 Okanogan Wenatchee National Forest, Conconully \$3,510.00

The following Accounts/Invoices were submitted for write-off/collection due to nonpayment:

Anderson, Glen	114.78
Bagley, Betty & Wendall	217.04
Bogart, Holly	39.75
Byrne, April D.	431.29
Christian, Kersten M.	306.34
Davis, William S.	102.60
Drake, Sharon	92.97
Fairchild, Chad M.	207.50
Gavin, James W.	146.36
Hinshaw, Shanie	172.22
LaRue, James	63.98
Lopez, Lilia	44.84
Mason, John H. "Bluebird"	39.73
Orozco, Jose Z.	11.84
Perham, Jessica & Achurra, Michael Allen	92.44
Rohlf, Tara L.	129.84
Santiago Parra, Rafael	327.37
Schamel, Justin	161.54
Schroder, Nichole J.	97.21
Smithson, Sharon	579.06

Spears, Shondra	98.72
St. Paul, Laverne "Punky"	202.40
St. Pierre, Henry	10.65
Wapato, Stephen & Lindsey, Meggin	23.96
Total:	3,714.43

Commissioner Bolz moved, seconded by Commissioner Womack, to approve the Consent Agenda. In response to Commissioner Johnson's request that the motion be amended to remove the Minutes from the Consent Agenda for a separate discussion, Commissioner Bolz requested that the Minutes be considered at the end of the meeting. Commissioner Womack stated that he was opposed to Commissioner Johnson's proposed additions to the Minutes as the material was grossly incorrect, and Commissioner Bolz agreed. Following discussion, Commissioner Johnson submitted for the record his proposed additions to the Minutes of the November 21, 2006 meeting for discussion at the end of the meeting. The motion to approve the Consent Agenda with the Minutes removed carried two to one with Commissioner Bolz opposed.

IV. Public Comment:

Vicky Welch of Twisp urged the Commissioners to adopt automated meter reading and tiered rates, and to use excess power sales funds to help lower all rates.

V. Action Agenda:

1. Resolution No. 1319 - Adopting Final Budget for 2007:

Resolution No. 1319 adopting the Final Budget for 2007 was considered. The Budget includes expenditures over income by \$9,198,900, with the difference to be transferred from reserves. The proposed Budget includes no rate decreases or increases for 2007.

Commissioner Womack moved, seconded by Commissioner Bolz, to adopt Resolution No. 1317. Commissioner Johnson's rationales for voting against the 2007 Budget (Resolution No. 1319) were based on: 1) It includes no reduction in electric rates and another year has passed without investigation of a change in rate structure. 2) It includes a \$1.38 million increase in the telecommunications loan from the electric ratepayers. Interest is calculated on the basis of a \$4.85 million loan (\$1.38 million plus \$3.47 million specified in the January 2006 Telecommunication Plan). Interest shown in the 2005 Annual Report and 2006 monthly reports is based on a \$7 million advance from the electric ratepayers. The amount of the loan and interest should be clearly presented and with a consistent basis which reflects the increasing debt to the electric ratepayers. 3) It does not include any planned funding for

reconducting the existing Methow Valley transmission and distribution lines. 4) It includes \$425,000 to provide for a two-acre substation site; planning calls for the purchase of 20 acres of riverfront property with the PUD subsequently subdividing and selling the surplus 18 acres. The PUD should not be involved in real estate subdivision and speculation. 5) It includes an additional \$581,400 in telecommunication debt to be covered by electric ratepayers. 6) It includes an additional \$466,177 in wages with an increase in administrative staff with wages between \$85,000 and \$126,000 to a total of eight without any rate assistance to electric ratepayers.

Following questions about the budget and a discussion explaining the interest calculation of the Telecommunications loan, the motion to adopt the 2007 Final Budget carried two to one with Commissioner Johnson opposed.

2. Reject All Bids for High Voltage Power Transformer:

After consulting with legal counsel about a concern with the District's Bid Specifications, it is the staff's recommendation to reject all Bid Proposals received under Bid No. 329-06 and resubmit the Bid for two 20 MVA Substation Power Transformers.

Commissioner Womack moved, seconded by Commissioner Bolz, to reject all Substation Power Transformer Bid Proposals received under Bid No. 329-06. The motion carried unanimously.

3. Manager's Report:

- The dam safety core drilling work is in progress, however, the sediment core drilling and water velocity tests have been weather delayed.
- A letter was sent to NoaNet nominating Warren Miller to the Board of Directors.
- The SCADA vendor "Open Systems International" will be on site next week.
- The District sent a four-man crew in response to Snohomish PUD's call last week for mutual aid.
- The District received a clean audit report for 2005 from the State Auditor.
- The District's new computer system conversion is scheduled to go live the week of December 11, 2006.
- Staff provided additional information on the five-year electric plant improvement plan by area. The summary reflects there are 9 projects planned in the Southern area, representing 51.6% of the total costs projected over the next five years including 45.4% in the Methow Valley. There are 15 projects planned in the Northern area (23.1% of the total cost) and 14 projects in the Central area (25.3% of the total cost).

4. Power Report:

The wholesale revenue for November was \$571,000 as compared to the projection of \$417,000, which places total wholesale sales for the year at about \$932,000 over budget.

Retail sales through October were \$1 million over the estimate, for a total of \$1.9 million over the original budget.

Preliminary data indicates the District set a peak load in November of 177 MW. During this time period, power generation at the Nine Canyon Wind Project was almost nonexistent.

5. Meetings:

The following Commission meetings were set for 2007:

January 2 12:30 p.m.
January 16 12:30 p.m.
January 30 5:00 p.m.
February 13 12:30 p.m.
February 27 5:00 p.m.
March 6 12:30 p.m.
March 20 12:30 p.m.

The next Okanogan PUD Board meeting is scheduled on December 19, 2006 at 12:30 p.m. at the Okanogan PUD auditorium.

Commissioners Womack and Bolz and Manager Berrie will attend the Washington PUD Association Annual Meeting in Seattle on December 6-8, 2006.

6. Nine Canyon Wind Project Discussions:

The Nine Canyon Participants have been in discussions regarding the potential consequences associated with Phase III as it proceeds with financing and equipment commitments prior to final resolution of the terms and conditions to comply with the Conditional Use Permit.

Chelan PUD has offered a statement of non-disapproval for the commencement of activities in support of obtaining the necessary Energy Northwest Board approval to finance the Phase III expansion. The proposal is based upon the specific condition that the Project Output share ratio that keeps the projected Phase I and Phase II output, at a minimum, at the level projected before the existence of Phase III (agreed upon as a 31.4% capacity factor) will be adopted by Energy Northwest and the Purchasers for as long as the plant is in commercial operation. The non-disapproval is specifically conditional upon and will be null and void unless all Phase III Nine Canyon Wind Project Purchasers and Energy Northwest sign the statement.

Following discussion, the Manager recommended that the District sign the non-disapproval letter along with other Participants.

Commissioner Bolz moved, seconded by Commissioner Womack, to approve a statement of non-disapproval for the commencement of activities in support of obtaining the necessary Energy Northwest Board approval to finance the Nine Canyon Wind Project Phase III expansion, and to authorize the Manager to sign the non-disapproval letter in substantially the form as presented. The motion carried unanimously.

7. Approval of Minutes:

Commissioner Bolz moved, seconded by Commissioner Womack to approve the Minutes of November 21, 2006.

Commissioner Johnson moved that the Minutes of November 21, 2006 be amended as specified in the proposed additions he submitted for Agenda Item 1 - Hearing on 2007 Proposed Budget. The motion failed for lack of a second.

The vote to approve the Minutes of November 21, 2006 as presented carried two to one with Commissioner Johnson opposed.

Commissioner Womack moved, seconded by Commissioner Bolz, to approve the Minutes of November 22, 2006. The motion carried unanimously.

VI. Public Comment:

Vicky Welch inquired about the Telecommunications loan and the proposed substation property purchase in the Methow Valley.

VII. Executive Session:

President Johnson recessed the Commission into executive session at 1:40 p.m. for ten minutes to discuss litigation, with no action anticipated.

President Johnson reconvened the Commission into regular session at 1:50 p.m.

VIII. Adjournment:

The meeting adjourned at 1:50 p.m.

Donald W. Johnson, President
ATTEST:

Ernest J. Bolz, Vice-President

David A. Womack, Secretary