

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Brewster March 13, 2001**

Present: Board: Darrel Bunch, Donald Johnson, James Rowland  
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Donald Brantner,  
Debra Peters,  
Joy Schultz, Derek Miller, Dan Boettger, Joe Miller, Julie Pyper  
Other: Michael Howe, Legal Counsel

President Bunch called the meeting to order at 9:00 a.m.

**Summary Agenda**

1. Approval of Minutes
2. Approval of Work Orders
3. Transfer of Accounts
4. Vouchers
5. Public Comment
6. Biomass Development
7. Fiber System Report
8. Generation Installation Report
9. Load Buy-Back Report
10. Rate Analysis
11. Staff Presentation - Don Clutter
12. Line Extension Agreement
13. Nine Canyon Wind Project
14. Energy Northwest/Participants Review Board
15. Public Comment
16. Meetings

**1. Approval of Minutes:**

Commissioner Rowland moved to approve the Minutes of the February 27, 2001 regular meeting. Commissioner Johnson seconded the Minutes and said he had no changes, but wanted to make the following clarifications: Even though the PUD says the deficit is expected to be about 6 megawatts, the PUD will use seven 1.6 MW diesel units for 11.2 MW of power. The diesel generators are expected to operate at a cost near 10¢ per kilowatt-hour, however, a work sheet lists 20-1/2¢ for the first year and 9.3¢ the second year. The Minutes state that the biggest concern with diesel is how the PUD markets surplus from its own generation, which has to be done so that BPA does not reduce our BPA purchases, plus the permitting challenge. Commissioner Johnson wanted to clarify that the District's biggest concern is how to market the surplus so as not to spoil the contract with BPA. Regarding long-term options, Commissioner Johnson suggested the Minutes say that some can be rather short-term options, especially the BPA discount. Regarding the reference to new generation sources

such as wind, Commissioner Johnson said he wants an update on borrowing equipment. The motion passed.

## 2. Approval of Work Orders:

The following work orders were submitted for approval:

98-0654 District, Brewster to Ophir	14,750
01-0052 District, Glenwood Ave., Riverside	829
01-0055 Wilkens, Old Hwy. 97, Okanogan	2,282
01-0304 District, US/Canadian Border near Hwy. 97	900
01-0305 District, Whiskey #3000 Circuit	675
01-0617 Ray Leaver, Hwy. 153	1,916
Total	\$21,352.00

Commissioner Johnson moved to approve the work orders; Commissioner Rowland seconded; motion passed.

## 3. Transfer of Accounts:

There were no accounts submitted for transfer.

## 4. Vouchers:

Vouchers No.'s 65073 through 65133 in the amount of \$614,067.91, No.'s 65134 through 65168 in the amount of \$150,822.90, and No.'s 65169 through 65277 in the amount of \$160,693.11 were approved for payment from the revenue fund.

## 5. Public Comment:

Aileen Jeffries said she felt \$5 million was a lot to spend for one year's use of generators, and suggested other methods to make up the power shortfall. For example, a savings of 15 megawatts of power could be realized if each of the 15,000 houses in the county served by the PUD saved 1 kilowatt of power, and an 11 megawatt load could be met if 11,000 houses put timers on their water heaters.

John Umberger commended the PUD for being on the right track. He suggested that the PUD should list on the power bills the amount of money it must spend on salmon recovery.

Dana Visalli said we face a short-term energy emergency due to drought and a long-term energy crisis due to the depletion of the world's easily accessible

fossil fuels. He also said that the PUD should declare an energy emergency and institute critical energy saving measures.

Vic Detering said he hoped the PUD wouldn't raise electricity prices so apples will not have to go to Chelan, where they are not going to raise rates. He also said we need diesel generators. Bill Brune, a grower since 1968, said he is concerned about the crisis and wondered if the farmers' water is going to be taken away to save salmon. Steve Kunkel, a Malott orchardist, said we can't cut back without impacting fruit and the schools.

Bill Brauchla, representing Magi and the Okanogan Horticultural Association, requested that irrigators' rates be kept at the lowest possible rate in light of the economic crisis orchardists are facing.

Maeyowa requested that Okanogan PUD put more study into renewables. Kathleen Hirschstein inquired about the fiber project and how the PUD could help community members conserve.

Manager Warner distributed a handout on the stream-flow conditions and the status of power operations. He said Wells Dam is critical right now to the District, and the District is facing a \$29 million problem with an entire budget of \$22 million. The Manager said the District will be using emergency generators that will shut down in 90 days and long-term generators up to one year. He said this is the second driest year on record, headed for the driest. As a result of the California deregulation, the market prices are at \$350 compared to \$17 last year. Power plants haven't been built to keep up with load growth. Fish have taken 1,000 MW generation out of the Columbia River. The audience asked how significant the fish problem is, and the Manager responded that required fish spills have reduced the Wells generation by 15%.

Dave Freels commended the District on contributing funding to the County to fight the National Marine Fisheries Service. He asked if a high-end power user would see a break by operating during off hours. The Manager responded that he would not see much of a break now because the BPA rate structure drives that.

Jim Kelly, Brewster School Superintendent, said his school uses 3.9 million KWH and spends \$140,000 annually. He said he needs the correct rate increase figures for budget purposes. Mr. Kelly also said the Brewster school had expressed interest to the District in partnering on fiber, as it would cost the school \$325,000 to bring fiber to the school from a nearby location. Commissioner Johnson responded that the Brewster School District should be one of the first places considered for fiber, that the District had been discussing pilot projects, and although a decision had not been made, the school district will be considered for a hook up. Commissioner Johnson also said

he thinks the District should be investigating solar as an excellent opportunity for schools.

Jim Erskine said we are in an emergency and have to support the PUD now to get power.

Jerry Tretwold of Harmony House commended the PUD for buying generators and requested energy efficient help for the remodel at Harmony House. He suggested the PUD open a store for people to obtain conservation measures. Commissioner Johnson suggested that organizations could handle the energy efficient light bulbs. Jack Groeneveld said the Kiwanis group would be available to help and invited the PUD to a Kiwanis meeting. Doug Chantry of the Brewster Market Place said he would be willing to sell light bulbs if the District needs a distribution place. John Andrist said that as a radio station owner, he would be happy to advertise the locations where light bulbs could be purchased. He also asked if the PUD has considered limiting power usage hookups for newcomers. Derek Miller, the District's Engineering Supervisor, said the PUD is working on outlining a new line extension policy. Manager Warner said the District has not talked about limiting customers. Arnie Asmussen suggested that if a business goes out on its own and purchases equipment and reduces its power by 20%, that the PUD could offer a program to reduce the business' remaining bill by 20%.

Several other community members also expressed miscellaneous comments.

#### **6. Biomass Development:**

Jim Doran, Mike Ferris and Ken Marcus attended the meeting to discuss converting biomass to energy as an economic opportunity. Jim Doran led the discussion and said that Renewable Energy Corporation offers an opportunity to use the forest and cardboard to convert waste to energy through its Waterwide Gassification Technology program. The company has been in business 19 years and has 600 gassification system units in use in 31 countries. Information is available over the internet at [www.waterwide.com](http://www.waterwide.com). Mr. Doran has looked into a 5 - 10 MW facility that could be delivered within a year for a \$2 - \$5 million investment. Doran said the Twisp Industrial Park is available, and the units also come in a modular configuration. He would like the PUD to open communication with Foster Wheeler, Renewable Energy Corporation, Duke Energy Corporation, Chelan PUD and the Forest Service for creating a long-term energy production facility. He said that Mike Green of Chelan is embarking on an effort to use apple pumice, fueled from apple pulp and apple prunings. Mike Ferris said he is investigating different uses for small wood. He proposed costs of \$30 - 35 ton for delivery to the Twisp Industrial Center. Howard Zosel of Zosel Lumber in Oroville said he thought that figure would be closer to \$10 a ton, and said that he would share his figures with the PUD. Mr. Doran invited the commissioners and staff to attend the next meeting.

## **7. Fiber System Report:**

Joe Miller, Telecommunications Engineer, reported that the District is stringing fiber from the Brewster bridge through Brewster and on up to the Brewster flat and the Comsat site (Verestar), and then north to the Canadian border. The District is about to make a decision on contracting with a networking company.

Assistant Manager Richard Trimble said all NoaNet members are in various stages of building their local networks, so the revenue projections are out six to nine months. The NoaNet board has mixed views on funding the shortfall through assessments, and will be looking at two options at its next meeting 1) long-term financing of the entire amount of \$22 million to \$25 million depending on operating expenses or 2) long-term financing of the capital portion and assess operating costs.

The Board recessed for lunch from 12:07 p.m. to 1:20 p.m.

## **8. Generation Installation Report:**

Don Brantner reported that a landowner has agreed to lease land to the District near the Ophir substation for a permanent generator location. The District hopes to have the rental units on line by next week. Dan Boettger said the permitting process is still in progress, and the District will be the lead agency on SEPA. By passing an emergency Resolution, the Board will be supporting the District in declaring an emergency exemption under SEPA. An air consultant has not recommended permitting in the Methow. Rich Trimble reviewed a diesel cash flow handout.

Commissioner Rowland recommended that the Board discuss load buy-back and rate analysis before concluding the generation installation report.

## **9. Load Buy-Back Report:**

Letters have gone out to all irrigation, commercial, industrial and frost control customers regarding the District's load buy-back program, which offers a customer the opportunity to disconnect their service for a specific period of time. The letters indicate the amount of energy the PUD could buy back and what a customer's payment would be at 10¢/KWH. Debbie Peters reported on the number of customers who have expressed interest in the program.

Manager Warner presented Resolution No. 1208 declaring an emergency exists and authorizing the Manager to take four specific, immediate actions to address the energy shortage. Commissioner Rowland moved to approve Resolution No. 1208. Commissioner Johnson said he had a problem with action one which authorizes the Manager to acquire additional generation sources as needed to provide District customers with reliable and cost-effective service. As a Commissioner, he said he was elected to pass judgment on spending specific amounts of money, and that he doesn't think management should be asked to make all of those decisions as that should be a part of the

Commissioners' job. Manager Warner responded that the Board authorized the generators at a previous meeting. Commissioner Johnson said he does not feel committed to any numbers because he only authorized the manager to begin to acquire diesel generation. Rich Trimble said there was discussion on seven generators, but authority was given for what was necessary. Attorney Howe said the Minutes say that the Board authorized the Manager to act on behalf of the District to acquire diesel generators by lease or purchase and to begin the permitting process. Commissioner Johnson questioned the District's ability to surplus. Manager Warner said the District may not get peak market, but can always sell surplus. Commissioner Johnson said he felt that the 30% proposed rate increase on April 1 might stimulate conservation actions that may not make the October increases as necessary, and questioned how it affects our ability to invest in other opportunities. Jim Erskine said the window for obtaining generators is narrowing, and that the District is getting the only 16 left for immediate acquisition. Commissioner Bunch said in his 14 years on the Board there has never been a problem with the management abusing a situation. Commissioner Bunch seconded the motion; Commissioner Johnson opposed the motion; motion passed. The Board signed the Resolution.

Commissioner Rowland moved for the Manager to purchase eight additional diesel generators (for a total of 16 purchased and six leased); Commissioner Bunch seconded; Commissioner Johnson opposed; motion passed.

#### **10. Rate Analysis:**

Manager Warner reported that with a 30% increase effective April 1, 2001, the District's cash-flow analysis would require an additional 45% increase on October 1, 2001 if BPA follows through with its rate increase. This would also require a necessary borrowing of \$12,000,000, plus a drop in the cash reserves to \$8 million by December 2002. If the increase were to be 45% on April 1, 2001, that would require a 30% increase on October 1, 2001 and a borrowing of \$10,000,000, with the cash reserves at slightly under \$8 million by December 2002.

Commissioner Rowland said he agreed with a 30% rate increase effective April 1, 2001 with irrigators at 15%, but he did not want to approve at this time a 45% increase on October 1 because that number may reduce depending on conservation measures. He also said he wants money borrowed as short term as possible. Commissioner Bunch said he agreed with Commissioner Rowland, that we have a real problem and he hopes we can help one another so that we might not have to implement the 45% increase in October. Commissioner Johnson said he would like to see us make progress on cutting back energy costs between now and October. He wants to proceed with smart meters for off-peak usage and look into an inverted tiered rate structure between now and October. Commissioner Rowland said he agreed with off-peak usage, but not to commit staff time regarding tiered rates. Commissioner Jonson suggested the District address staffing needs and authorized the Manager to

acquire another person in the conservation department. Following discussion, it was agreed to look at what we are doing with existing staff now.

Commissioner Rowland moved to approve a 30% revenue increase for all customers effective April 1, 2001 and a 15% increase for irrigation customers; Commissioner Johnson seconded; motion passed.

**11. Staff Presentation - Don Clutter:**

Don Clutter presented the Commissioners with information on his job duties as Area Manager for the Southern area. In addition to the Brewster area, he is responsible for the Twisp area to the northern end at the bottom of the Ophir grade.

**12. Line Extension Agreement:**

Derek Miller distributed an outline of the proposed changes to the District's Line Extension policy. The District is currently contributing 85% of the expected three-year electric usage toward construction of new facilities. The new policy will encourage conservation, be more efficient and require those that impact the system to bear the cost of such impact.

Commissioner Johnson moved to authorize the staff to develop the details for a revised Line Extension policy; Commissioner Rowland seconded; motion passed.

**13. Nine Canyon Wind Project:**

Manager Warner distributed a handout from the Nine Canyon Wind Project purchasers workshop that he and Commissioner Bunch attended on March 8. There was discussion on the allocation that should be extended to members and to non-members. The expression of interest by December 15 of Energy Northwest members was five PUDs and one municipal, for a maximum output of 49 MW and a minimum of 24 MW. Four non-member PUDs expressed interest by December 15, and one member PUD and one member municipal expressed interest after December 15. Energy Northwest's proposal is to take the total members by December 15 and the total non-members by December 15, and equate equally. Manager Warner said there had been adequate interest expressed by PUDs and municipals, and that the members should have the first right before going to non-members. The Board agreed, and Commissioner Bunch will communicate that message to Dick Johnson of Energy Northwest.

Commissioner Bunch reported that Energy Northwest does not have wind monitoring towers available for the District's use, however, Energy Northwest offered to assist the District by sending a package of materials and visiting the District. The Board agreed that it would be helpful to have Energy Northwest staff visit the utility. The Manager will arrange a meeting.

**14. Energy Northwest/Participants Review Board:**

Manager Warner asked the Commissioners if they wanted a member to set on

Energy Northwest's Participant Review Board. Polly Johnson, as previous Commissioner, served in that capacity for the District.

Commissioner Johnson agreed to serve on the Participants Review Board. A PRB budget review meeting is scheduled for March 21.

**15. Public Comment:**

There was no additional public comment.

**16. Meetings:**

Commissioners Johnson and Rowland had no meetings to report.

Commissioner Bunch attended an Energy Northwest workshop in Richland on March 8th with the Manager.

The next Okanogan PUD Board meeting is scheduled for March 27, 2001.

There being no further business to discuss, the meeting adjourned at 4:44 p.m.