

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan April 10, 2001**

Present: Board: Darrel Bunch, Donald Johnson, James Rowland
Staff: Harlan Warner, Richard Trimble, Derek Miller, Joe Miller, Janet Crossland, Joy Schultz, Debbie Peters, Don Coppock, Julie Pyper
Other: Michael Howe, Legal Counsel
Arnold Asmussen, Howard Zosel, Maeyowa,
Susan Crampton, Anaka Mines

President Bunch called the meeting to order at 8:30 a.m.

Summary Agenda

1. Approval of Minutes
2. Approval of Work Orders
3. Transfer of Accounts
4. Vouchers
5. Public Comment
6. Approve New Rate Schedules - Resolution No. 1209
7. Generation Report and Load Buy Back Report
8. Cash Report
9. Fiber System Report
10. Right-of-Way Grant for Enloe Dam
11. Meetings
12. Time-of-Day Metering
13. Public Comment
14. Tax Issues on Tribal Accounts
15. Open Line
16. Executive Session - Property Purchase

1. Approval of Minutes:

Commissioner Rowland moved to approve the Minutes of the March 27, 2001 regular meeting; Commissioner Johnson seconded and requested that the following information be included in the motion regarding the "Partners in Power" program under the Conservation/Curtailment Report - paragraph 7, ... and directed the Manager to develop an incentive-based conservation program to be made available to all customers. Commissioner Johnson disapproved of the wording of the motion in paragraph 11, WNP-1 Feasibility Study. The vote on the Minutes was approved by Commissioners Rowland and Bunch and opposed by Commissioner Johnson.

2. Approval of Work Orders:

The following work orders were submitted for approval:

01-0004 Mark Hallam, 2286 1/2 Burton Ave., Okanogan	859
01-0063 Teddie Rife, Hanson Rd., Malott	2,606
01-0065 Virgil Gunn, East River Rd., Omak	2,108
01-0068 Qwest Communications, 438 Conconully St., Okanogan	782
01-0069 Qwest Communications, Conconully Hwy. & Kermel Rd.	511
01-0616 Jim Hunter, 2907 Hwy. 153	3,315
01-0618 District/DOT, Methow Valley Hwy., Twisp	970
01-0619 Brewster School District, 7th St. S., Brewster	761
Total	\$11,912.00

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

3. Transfer of Accounts:

Dillon, Jodeana & Russell 58.96

Juarez, Jorge A. 52.27

Total \$111.23

Commissioner Johnson moved to approve the transfer of accounts; Commissioner Rowland seconded; motion passed.

4. Vouchers:

Vouchers No.'s 65450 through 65525 in the amount of \$483,362.18, No.'s 65526 through 65558 in the amount of \$160,686.53, and No.'s 65559 through 65669 in the amount of \$783,571.07 were approved for payment from the revenue fund.

5. Public Comment:

Maeyowa requested that the Board recap the items covered in the agenda at the conclusion of each meeting. She asked for an update on what the District is looking at for renewables, and said that the Methow area is looking at putting micro-hydro into irrigation ditches. Maeyowa also asked questions regarding the District's marketing of excess power from the generators.

In reference to biomass, Commissioner Johnson asked what the time-line was for Foster Wheeler Environmental Corporation's completion of the evaluation of

other alternatives. Manager Warner said there has been a conference call and Foster Wheeler is working on the evaluation. When asked when the report could be expected, he said there was no time-line in the contract.

Susan Crampton asked the Board to address conservation issues. She said other PUDs are conserving enormously and suggested that Okanogan PUD incorporate some of those measures.

Arnie Asmussen said the PUD has been very receptive to his ideas.

6. Approve New Rate Schedules - Resolution No. 1209:

Harlan Warner presented Resolution 1209 Revising the District's Electric Service Rate Schedules to provide a 30% general increase and a 15% irrigation increase, which equals a 30% revenue increase when proportioned back to other rates classes.

Manager Warner reviewed the revised Rate Schedules. Other than increasing the energy charge, the notable changes were that Schedule 3 - Commercial now only has two energy blocks, one without a demand charge and the second block with a demand charge. Schedule 6 - Irrigation is revised to require the customer to pay the bills as presented in accordance with the District's normal bill collection policy instead of being allowed to go all season without paying. A copy of the letter that will be sent to the irrigation customers advising of the change was distributed for review.

Commissioner Johnson said he could not support the Resolution because an incentive based conservation program, off-peak rate schedule and inverted rate schedule had not received adequate consideration to encourage conservation and reduce rate increases for all customers.

Commissioner Rowland moved to approve Resolution No. 1209; Commissioner Bunch seconded; Commissioner Johnson opposed; motion passed.

7. Generation Report and Load Buy Back Report:

Rich Trimble reported there was a slight surplus for the month of March with Wells Dam, but that won't be happening over the next few months. The excess will be put into an exchange agreement for the May time-frame when it will be needed.

Debbie Peters said that it is time to begin advertising the Adventures in Science scholarship program. Information on the program is available through newspaper ads, press releases and letters to schools, and applications are available at the PUD office. The PUD each year awards three \$500 scholarships for students in the 6th, 7th and 8th grades to attend a one-week camp at Western Washington University.

Debbie Peters reported that light bulbs have arrived for the compact fluorescent lighting program. On order are 3,500 bulbs. With the first shipment in, the District has sold 573 bulbs. The bulbs are being sold at the PUD offices and through retailers that have requested to sell the light bulbs.

Debbie Peters reported that 45 contracts have been signed and processed for the Loan Buy-Back Program, and that several others that had committed to the program by the termination date are in the process of being completed. Commissioner Johnson questioned the applications that were being processed after the date the Board terminated the program. It was explained that the District honored the applications of those that had accepted the offer to participate in the program, and that several customers were unhappy that the program was being terminated. The buy-back payments ranged from \$600 to \$82,000, with an average per customer of \$5,000. The participants included 90 irrigators, two businesses and two residences. The project realized a savings of 10,800 megawatt hours, which is the projected May shortage at Wells Dam. An additional 49 contracts which had not been processed made up the projected savings.

Derek Miller and Debbie Peters discussed the District's proposed Summer Rewards Program, which is an incentive rewards program tied to the regional 10% energy reduction target. The program would be automatic participation for commercial, residential and industrial rate classes that qualify with a one-year history. In October, the qualifying rate class accounts would be audited against last year's usage levels. Those that met or exceeded a 10% reduction would receive 10% at their present usage credited to their account as a reward. Accounts with buy-back contracts would not qualify, however, accounts with conservation loans would qualify. At the conclusion of the program, an evaluation would be made whether to continue with a Winter Rewards Program, which would be the same except usage would be weather normalized.

Commissioner Rowland applauded the program, but expressed concern on how it would fit in with the PIP and loan programs. Information was then distributed on the District's proposed New Conservation Loan Program, which would increase the qualifying energy conservation measures and increase the conservation budget by \$1 million, for a total of \$1,310,000. The individual loans would be capped, but the program would be limited to the budgeted amount. Once that amount was reached, the program would be suspended until the next budget year. After the program begins paying for itself, the budget may or may not be increased. The program funds would be distributed on a first come, first served basis.

Following discussion, the Board approved increasing the conservation budget an additional \$700,000, for a total of \$1 million. In addition, the Board approved increasing the borrowing caps for residential loans from \$4,000 to \$10,000 and for commercial loans from \$10,000 to \$25,000. The Board would also like the

progressiveness of this program to continue as an agenda item. Information on the loan program will be sent to customers in the form of a mailer. The Manager noted that the increase would result in an additional 3 - 4% rate increase over what is planned for October 1st.

In regards to the Summer Rewards Program, Commissioners Johnson and Rowland said they liked the idea of having customers request to be a part of the program by signing a form to participate. Rich Trimble said that the meter reading had started in March for over half of the customers, and, if there is a sign-up program, we need to discuss how much time to allow the customers to sign up. Commissioner Johnson suggested allowing sign up half way through the program. Don Brantner pointed out that the majority of savings are from those that save between 5 - 8%.

Following discussion, the Board approved giving all customers a credit of 10% of their power bills from April through October if they reduce power use by 10% during the same period. Commissioner Johnson moved to approve the Summer Rewards Program as the concept was presented to the Board and instructed management to prepare a Resolution regarding the Summer Rewards Program for the next meeting; Commissioner Rowland seconded; motion passed.

Commissioner Rowland moved to instruct the staff to proceed with preparing a Resolution for Board approval identifying the new caps as discussed and \$1 million total for the conservation loan program, to include the qualifying conservation measures listed; Commissioner Johnson seconded; motion passed.

Commissioner Rowland moved to instruct the staff to further research the Partners in Power Program, which is a PUD loan guaranteed program, and bring to the Board at the next regularly scheduled meeting a recommendation on implementation; Commissioner Johnson seconded; motion passed.

Manager Warner reported that Dan Porter of Energy Northwest will attend the next Board meeting to discuss wind generation.

Don Brantner gave an update on the diesel generators. Six temporary generators are running, and the permitting has been granted for 150 days. Performance on the units has been very good, and Cummins Northwest, Inc. has responded very satisfactorily to any problems. There is good progress at the Ophir site, where the 16 larger units will be placed. There is expected to be at the Ophir site four permanent generators on line by the week of May 7th and at least four more by the end of May. By the end of June, all 16 units should be up and running.

8. Cash Report:

Janet Crossland presented a cash and investment report. The warrants issued

for February and March included payments to Cummins for diesel generators and to TVC for the fiber network.

9. Fiber System Report:

Joe Miller reported that following the award of the fiber network bid to Nortel Networks, a letter was received from Cisco Systems asking the PUD to revisit its decision, which the Manager responded to. A draft contract with Nortel Networks will be available for the Board's review at the next meeting. Nortel Networks assigned to the District's project a project manager who completed a \$7 million project in Bozeman, Montana. Mr. Miller will travel to Bozeman next week to look at the work of that project manager. The local fiber installation is progressing.

Manager Warner and Joe Miller reported that meetings have been held between the PUDs of Grant, Chelan, Douglas and Okanogan, which encompass the area served by the North Central Educational Service District (ESD), to discuss how the network systems will be designed and managed as a benefit for the schools. The ESD has proposed to establish a Fiber Network Specialist Cooperative with the other PUDs, and hire a one and a half position technology coordinator. Okanogan PUD's estimated cost would be \$33,000 per year.

Commissioner Johnson said he thinks the PUD should be in the energy program and should not invest an additional \$33,000 per year with the ESD. Other concerns of the Board focused around the necessity of providing a quality, cost-effective value to the schools, proper supervision and oversight of individuals representing the District, the ability of the District to select other options if the cooperative approach has obvious deficiencies, and that the responsibilities of the schools, ESD and PUD are clearly defined.

Commissioner Rowland moved to participate in the Fiber Network Specialist Cooperative with the North Central Educational Service District and the PUDs of Grant, Chelan and Douglas counties; Commissioner Bunch seconded; Commissioner Johnson opposed; motion passed.

The Board recessed for lunch from 1:00 p.m. to 2:10 p.m.

Rich Trimble reported that the District had previously established OC-3 and OC-12 wholesale SONET transport rates and had made an application for a grant project. Recently, the District received a formal request for OC-3. Assistant Manager Trimble discussed the District's response to the request as the curb award for grant funds is not until April 19th, and the District is two projects below the line. There was discussion on reducing the District's grant request to \$800,000 and the District funding a portion, or just waiting to see what the outcome is.

Commissioner Johnson moved to give Rich Trimble authority to go forward with the suggested strategy on getting the grant money; Commissioner Rowland seconded; motion passed.

Rich Trimble reported that NoaNet was given a clean bill on its recent audit. The NoaNet auditor and financial advisor are encouraging its Board to convert the debt to long-term debt.

10. Right-of-Way Grant For Enloe Dam:

Manager Warner reported that the existing right-of-way grant the District has with the Bureau of Land Management for Enloe Dam expires on April 3, 2001. The grant allows the District to continue to review the potential with Enloe Dam. The renewal term of the grant has been changed to five years. Larry Felton has been working with Canadian Tribal representatives and the Colvilles on fish passage issues. The Manager said he felt it was in the District's best interest to approve the right-of-way grant to have another five years to work on this issue.

Commissioner Rowland moved to approve the Right-of-Way Grant No. WAOR 45490 with BLM; Commissioner Johnson seconded; motion passed.

11. Meetings:

Commissioner Johnson reported that he participated in the Open Line radio program in Omak on March 29th. He traveled to Seattle on March 30th to attend the Energy Conservation Summit on March 30th. He also traveled to Olympia on April 5th to attend the PUD Association meeting on April 6th and to vote on behalf of the District in supporting the feasibility study for WNP-1.

It was noted by Commissioners Johnson and Bunch that in a separate action, the WPUDA Board agreed to seek voluntary contributions from PUDs and other utilities to fund the preparation and filing of an amicus brief concerning Pend Oreille PUD's Sullivan Creek hydroelectric project. The Pend Oreille PUD has been seeking changes in a long-standing water right and has been trying to obtain a water quality permit. The Department of Ecology turned down the water right change, and Pend Oreille PUD has appealed to the Supreme Court. Commissioner Johnson said that minimum stream flow is something everyone has to live with, and he does not want to spend PUD funding on the issue. Commissioner Bunch said he would like to follow the matter along to learn more about it. Commissioner Rowland said the District did not need to take any action today, which was agreed by all.

Commissioner Bunch attended the PUD Association Round Table in Olympia April 5th and 6th. Commissioner Bunch reported that Energy Northwest is in need of Protective Relay Technicians. He also reported that the WPUDA Executive Board would like to tentatively schedule a meeting in June at the Okanogan PUD.

Commissioner Rowland attended the PUD Association Legislative meeting in Olympia on April 6th.

The next Okanogan PUD Board meeting is scheduled for April 24, 2001.

12. Time-of-Day Metering:

Bill Freeman discussed metering issues and Larry Felton discussed power issues regarding time-of-day metering. The District currently has 22,000 meters. The cost for converting to time-of-day metering would be approximately \$300 per meter, or \$6.6 million total, which would not include the modem costs. Mr. Freeman cautioned that a lot of thought would need to be put into time-of-day metering as the District would need to convert from the existing micro-palms to lap-top computers. In addition, accounting issues would need to be addressed as different rate schedules would have to be set up. Installation would have to be looked at individually. Mr. Felton said the industry is headed toward standardization, which would reduce inventory, but that he could not process time-of-day metering without additional assistance. As a proponent of time-use-metering, however, he said it would allow the District to tailor its power supply to shape new load. He suggested a peak-shave program might work for commercial accounts above a certain level, irrigators, and those residential customers that use a lot of power. He suggested starting with a pilot program October 1st.

Commissioner Johnson moved to ask management to investigate and come up with a proposed program for off-peak sales or time-of-day metering on a voluntary basis, and tell the Board how it might be done, and Larry Felton return to the Board July 1st with a feasibility study; Commissioner Rowland seconded providing a rough outline of a feasibility study is available by July 1st; motion passed.

13. Public Comment:

There was no additional public comment.

14. Tax Issues on Tribal Accounts:

Fred Burke reported that he, Mick Howe and the Omak City Clerk met with the Tribal attorneys in Nespelem regarding the tax issues on Tribal accounts. The parties agreed to continue researching the matter.

15. Open Line:

Manager Warner distributed a copy of the remaining questions that were not answered on the Open Line program, which the PUD participated in on March 29th. It was decided to schedule another radio program to answer the remaining questions.

16. Executive Session - Property Purchase:

The Board recessed into executive session at 3:45 p.m. to discuss a property purchase. The Board reconvened into regular session at 4:40 p.m. and there being no further business to discuss, the meeting adjourned at 4:40 p.m.