

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan April 24, 2001**

**Present:**

**Board:**

Darrel Bunch, Donald Johnson, James Rowland

**Staff:**

Harlan Warner, Richard Trimble, Frederick Burke, Janet Crossland, Don Coppock, Dan Van Arsdale, Don Brantner, Joe Miller, Debbie Peters, Derek Miller, Julie Pyper

**Other:**

Michael Howe, Legal Counsel

Nancy Neraas, Susie Joe, Maeyowa, Arnold Asmussen, Steve Lorz, Joe Lorz, Dick Lorz, Ray Colbert, George Wooten, Tom Caton

President Bunch called the meeting to order at 8:35 a.m.

**Summary Agenda**

1. Approval of Minutes
2. Approval of Work Orders
3. Transfer of Accounts
4. Vouchers
5. Public Comment
6. Resolution No. 1210 - \$10,000,000 Electric System Revenue Note
7. Resolution No. 1211 - Summer Rewards Program
8. PIP Program Review
9. Resolution No. 1212 - Conservation Loan Program
10. Sue Elson - Property Purchase
11. Dan Porter - Energy Northwest
12. Fiber Update
13. Commission Meeting Schedule
14. Generation Report
15. WPUDA Proposal
16. Public Comment
17. Meetings
18. Executive Session - Property Purchase and Litigation

**1. Approval of Minutes:**

Commissioner Rowland moved to approve the Minutes of the April 10, 2001 regular meeting; Commissioner Johnson seconded with the following clarifications:

Paragraph 5 - Public Comment: Also include in response to the question when Foster Wheeler's report could be expected, the Manager said there was no time-line in the contract.

Paragraph 6 - Approve New Rate Schedules, Resolution No. 1209: Revise to read: "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."

Paragraph 7 - Generation Report and Load Buy-Back Report: Also state that the participants included 90 irrigators, two businesses and two residences, and that an additional 49 contracts that had not been processed made up the projected savings.

Motion passed as amended.

## 2. Approval of Work Orders:

The following work orders were submitted for approval:

99-0467 John & Margaret Vicente, Turner Lake Rd.	12,850
01-02&3 William Noon, 197 Talkire Lake Rd.	700
01-0004 Brent Yusi, Wildwood, Lot 17, Omak	647
01-0062 District, Duck Lake Rd., Omak	1,356
01-0066 District, Conconully Hwy.	835
01-0073 Marvin Hild, 1678 Old Hwy. 97, Malott	3,658
01-0315 Lawrence Finsen, Hwy. 97 N. of Oroville	2,600
01-0317 Michael Utigard, 32026 Hwy. 97	1,300
01-0318 Bob Barnes, Loomis Hwy.	1,650
01-0319 Brad Timm, 32 Epsom Salts Rd., Tonasket	2,659
01-0320 Bob Isler, Aeneas Valley Rd.	4,146
01-0321 Rich & Karen Jacome, Talkire Lake Rd.	

	2,950
01-0322 Gary Lesamiz, Horse Spring Coulee Rd.	
	1,400
01-0324 Dave Hylton, Hwy. 97 S. of Oroville	
	2,575
01-0620 District, Ophir Grade	
	10,672
01-0621 Jeff Holbrook, Lombard St., Twisp	
	602
01-0622 Linda Faller, Old Carlton Rd.	
	5,508
01-0623 District, Hwy. 153	
	2,252
01-0625 Donald Tatley, Watson Draw Rd., Pateros	
	3,198
01-0626 District, Hospital Way, Brewster	
	660
01-0627 Jack Ellis, Twisp-Carlton Rd., Twisp	
	3,818
Total	
	\$66,036.00

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 65670 through 65762 in the amount of \$1,312,666.02, No.'s 65763 through 65796 in the amount of \$154,008.10, and No.'s 65797 through 65877 in the amount of \$411,174.62 were approved for payment from the revenue fund.

### 5. Public Comment:

Maeyowa asked what the utility was looking at for renewables in the county. The Manager responded that the utility signed a contract with Foster Wheeler Environmental Corporation for a detailed analysis of alternatives in the Methow area and whether renewable resource development in the Methow would help correct the voltage problem at Oroville. Foster Wheeler will present the findings at the next Board meeting or the one following.

### 6. Resolution No. 1210 - \$10,000,000 Electric System Revenue Note:

Fred Burke and bond counsel, Nancy Neraas of Preston, Gates and Ellis, discussed the specifics of the District's \$10,000,000 Note to Bank of America for the purpose of providing financing for the acquisition and installation of 16 diesel generators. The Note has a fixed rate of 4.5% interest and matures on

April 30, 2006. Interest payments will commence on October 30, 2001. The principal will be paid in four installments starting in 2003, with a prepayment option. The District is required to maintain a cash balance of \$7,500,000 and a 25% net margin on debt service. Ms. Neraas will present the documents and an opinion letter to Bank of America on April 25th.

Fred Burke presented Resolution No. 1210 establishing a line of credit and providing for the issuance and sale of an electric system revenue Note of the District in the aggregate principal amount of \$10,000,000 to evidence the line of credit and providing the form and terms of the Note.

Commissioner Rowland moved to approve Resolution No. 1210. Commissioner Johnson said he would not second the motion and would abstain from voting because he voted against buying 16 generators, and that other approaches could be taken to keep rates lower. Commissioner Bunch seconded; Commissioner Johnson abstained; motion passed.

#### **7. Resolution No. 1211 - Summer Rewards Program:**

Harlan Warner presented Resolution No. 1211 adopting a Summer Rewards Program to provide conservation incentives for residential and commercial customers. The Resolution is the same form as outlined, but with the following changes after a staff review: Applies to commercial and residential customers; accounts have to be continuously active for the review period; the period has been changed from April 1, 2000 to October 1, 2001, to March 1, 2000 to October 30, 2001 to accommodate residential bimonthly billing cycles; and the audit period would occur in either September or October depending on the individual billing cycle.

An analysis was distributed on the summer usage for 1999 and 2000, which reflects the anomalies in usage from one summer to the next specific to that particular customer. About 32% of the customers will achieve a savings without participating in any conservation program. The additional revenue requirements will need to be addressed in the October 1 rate increase.

Commissioner Johnson moved to accept Resolution No. 1211; Commissioner Rowland seconded; motion passed.

#### **8. PIP Program Review:**

Fred Burke reported that it is not legal for the District to pledge its assets for a PUD loan guaranteed program, and he will be talking to some lending institutions on how they view the matter. There was discussion on establishing a reserve account with a junior security interest, however, the Board agreed to determine the parameters of the Conservation Loan Program before making any decisions on the PIP Program.

#### **9. Resolution No. 1212 - Conservation Loan Program:**

Manager Warner presented Resolution No. 1212 revising the Conservation Loan Program offered to District customers. Commissioner Johnson said that Resolution No. 1212 as presented does not satisfy the motion passed at the last meeting because it includes irrigation with a loan cap of \$25,000 and eliminates pellet stoves and the four listed renewables: solar, wind, geo-thermal and mini-hydro. Manager Warner advised that legal questions were raised on whether the utility can expend funds for those measures. It is believed that Article VIII, Section 10 of the State Constitution restricts the District with financing to energy conservation and not for any purpose that results in a conversion from one energy source to another. Since there is a difference of opinion on qualifying measures, it was agreed that the utility would seek an informal opinion from the Attorney General. Attorney Howe said an informal opinion could take at least 60 days.

Commissioner Johnson moved to ask Attorney Howe to draft a letter, which would be reviewed at the next Commission meeting, to send to the Attorney General's office asking for an informal ruling on whether the District is able to offer energy conservation loans for solar, wind, geo-thermal, mini-hydro and pellet stoves as qualifying energy conservation measures; Commissioner Rowland seconded; motion passed.

Commissioner Rowland moved to approve Resolution No. 1212. Commissioner Johnson opposed including irrigators in the loan program, but felt the qualifying measures in question should be included contingent on the opinion of the Attorney General's office. Attorney Howe said he would oppose passing a Resolution that included the qualifying measures in question because he does not believe it would comply with statutory requirements, as he informed the District. Debbie Peters will be checking with other utilities to see what direction they are taking on this matter.

Following discussion, the Board approved the District obtaining an opinion from the Attorney General; reaffirmed raising the loan caps to \$10,000 and \$25,000 and setting the 2001 budget at \$1,000,000, as previously approved; and revisiting the issue in two weeks.

#### **10. Sue Elson - Property Purchase:**

Sue Elson presented a proposal to sell property adjacent to the Twisp substation to the District for \$100,000, which she and Dan Smith purchased in 1990. She discussed the problems encountered living next to the substation and her concerns with any plans for expansion.

The Board will address the matter in executive session and respond back to Ms. Elson.

### **11. Dan Porter - Energy Northwest:**

The Board heard a presentation by Dan Porter of Energy Northwest regarding the Nine Canyon Wind Project in the Tri-Cities area. Okanogan PUD has committed to purchase a portion of the output of this project. Plans call for the installation of approximately 50 units at the site. A scale model of a 660 kilowatt wind turbine was on display, which is the smallest of the available units. Bids for the project were initiated in March and a permit is expected to be issued in June. Construction is planned for 2001 and commercial operation in the spring of 2002.

Mr. Porter also discussed the process for developing a wind project, which includes as site criteria the lease or purchase of land, wind resource evaluation, transmission and roads. The towers range in price from \$10,000 to \$12,000 and cost \$3,000 to install. He also discussed the District utilizing Energy Northwest's consulting meteorologist, Bob Baker, to research potential wind sites in Okanogan County.

The Board requested the services of Energy Northwest's consulting meteorologist, and will make available a topography map prior to his visit.

The Board recessed for lunch from 12:21 p.m. to 1:29 p.m.

### **12. Fiber Update:**

Joe Miller reported the 300 crew is now installing fiber full time, all backbone fiber is installed into the Brewster network room and spliced, and there should be fiber into Verestar by the end of April. Mr. Miller has had several meetings with Nortel to work out the details of the network. In addition to the scope of work in the RFP, Nortel will be quoting equipment to bring the Brewster, Ophir and Okanogan substations on the network. The Nortel contract will be available at the next Board meeting.

Mr. Miller met last week with representatives of Nortel and Cutthroat Communications in Bozeman, Montana to view the \$7M network Cutthroat built using the same Nortel and Juniper network equipment the District will be using. Cutthroat has quoted monitoring and trouble reporting for the District's network for \$1,930/month for a two-year contract term. This monitoring would include network performance and door and fire alarm monitoring at all District offices, with incremental cost increases for additional monitoring.

The Board directed the staff to develop a contract for Board approval.

Mr. Miller also reported that PCS of Spokane is developing a proposal for an entry level relaying scheme.

Rich Trimble reported that the District did not receive grant funds for a fiber build to Twisp in support of the NCTeleserve call center, but will continue to

pursue other grant funding. It is his recommendation that the staff prepare a request for fiber quotations and return to the Board regarding procurement of fiber while grant funding is pursued.

The Board approved the process of securing fiber.

### **13. Commission Meeting Schedule:**

The Board set the following meeting schedule:

May 8, 22

June 5, 19

July 10, 24

August 7

### **14. Generation Report:**

Don Brantner reported the diesel generation project is progressing reasonably well at Ophir, and the District is still on schedule and expecting to start receiving equipment the week of May 7th. Concrete was being poured yesterday on the generator pads. Richard Henson of Oroville is the contractor for the building.

Five requests have been received from third parties to put diesel generators on the District's system, and one may be ready to connect by next week. Mr. Brantner and Mr. Warner outlined the terms of an agreement under which the District would facilitate getting the generation through its system to the market.

### **15. WPUA Proposal:**

Manager Warner reported that a conference call is scheduled to discuss information provided to the Washington PUD Association by Washington2Advocates. Washington2Advocates is a new company that has subcontracted with former Senator Slade Gordon and others to assist northwest clients with problems related to the West Coast energy crisis.

No action was taken by the Board.

### **16. Public Comment:**

Ray Colbert, Regal Fruit's interim manager, said he felt the buy-back program was a great opportunity for the PUD and for the county. He asked if the program could be reinstated and if Regal Fruit could be included.

Mr. Colbert was advised that the District's letter to customers identified March 30th as the buy-back program deadline, and the Board took action to terminate the program on March 27th. The Board was reluctant to now reopen the program to any additional customers.

**17. Meetings:**

The Commissioners had no meetings to report.

**18. Executive Session - Property Purchase and Litigation:**

The Board recessed into executive session at 2:46 p.m. to discuss property purchase and litigation. The Board reconvened into regular session at 3:27 p.m.

Commissioner Rowland moved to approve Resolution No. 1213 authorizing the purchase of the old Interwest bank building in Omak for \$160,636.44 and authorized the Manager to sign the necessary documents for the District; Commissioner Johnson seconded; motion passed.

There being no further business to discuss, the meeting adjourned at 3:29 p.m.