

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan June 5, 2001**

Present: Board : Darrel Bunch, James Rowland, Donald Johnson
 Staff: Richard Trimble, Frederick Burke, Debra Peters, Joe Miller, Tina DeLap
 Other: Michael Howe, Legal Counsel; Kurt Danison, Highland Associates; Lew Blakeney,
 NCTeleserve; Jim DeTro, Bob Tollefson, Chris Warren, Susie Joe, Chronicle

President Darrell Bunch called the meeting to order at 8:36 a.m.

Summary Agenda

1. Approval of Minutes
2. Approval of Work Orders
3. Transfer of Accounts
4. Approval of Vouchers
5. Public Comment
6. Telecom Update
7. Funding of Methow Fiber Link - Resolution no. 1216
8. BPA Load Reduction
9. Wind Generation Report
10. Slice Scheduling
11. Enloe Dam
12. Bid 299-01 - Mailing Equipment
13. Public Comment
14. Meetings

1. Approval of Minutes:

Commissioner Johnson moved to approve the minutes of the May 22, 2001 regular meeting; Commissioner Rowland seconded; the motion passed 3-0.

2. Approval of Work Orders:

The Following work orders were submitted for approval:

00-0124	Moore, Carroll Keystone Rd, Riverside	\$3,356.00
00-0713	District 89 Golf Course Ln, Alta Lk	\$641.00
01-0002	Cook, Bob Loomis Highway	\$575.00
01-0004	Yusi, Brent Lot 17, Wildwood	\$760.00
01-0092	Pine Creek Orch. 903 Omak Ave, Omak	\$1,283.00
01-0093	District/Bird Spring Coulee Rd	\$2,731.00
01-0097	Botello, Jess Green Lake Rd	\$1,641.00
01-0098	District 5th Ave Omak	\$737.00

01-0316	Jones, Gene Aeneas Valley Rd	\$2,650.00
01-0341	Will, Greg 1080 Hwy 7, Tonasket	\$3,863.00
01-0344	Verizon Aeneas Valley / Hart Ranch	\$550.00
01-0345	Spear Ranch Horse Spring Coulee	\$1,850.00
01-0346	Chesaw Water Chesaw	\$3,800.00
01-0348	Gilnet, Rick Pine Ck Rd near Aeneas Lake	\$2,300.00
01-0350	District Central Ave, Elm & Dogwood	\$550.00
01-0352	Howell, Gene Janis Rd	\$2,460.00
01-0354	Nelson, Jerry Sidley Lake	\$1,400.00
01-0355	Kennedy, Tom Lot 51 Cape Labelle Ranches	\$1,975.00
01-0356	District Janis Siding	\$1,025.00
01-0360	Hendrix, Donna Swanson Mill Rd	\$2,417.00
01-0361	Olma, Derek Molson Road	\$975.00
01-0616	Hunter, Jim 2907 Hwy 153	\$3,315.00
01-644	Friends of Methow Commons, Burgar St, Twisp	\$671.00
01-0649	Downey, Richard 101 Valley Rd, Brewster	\$2,933.00
01-650	Methow Bend Orchard, Burma Rd, Methow	\$2,229.00
01-0651	Brew Flat Irrig, Mtn View Dr, Brewster	\$610.00
01-0653	District S. Fork Gold Creek Rd	\$630.00
01-0654	Hanson, Michael Thurlow Rd, Twisp	\$3,439.00
	Total:	\$51,366.00

Commissioner Rowland moved to approve the work orders; Commissioner Johnson seconded and the motion passed, 3-0.

3. Transfer of Accounts:

Palomares, Jesus	Delinquent Invoice #2943	\$1,047.22
Smith, Valerie	Delinquent Invoice #2922	\$ 62.10
Gonzales, Samuel & Gloria	Delinquent Invoice #2970	\$ 25.00
	Total:	\$1,134.32

Commissioner Bunch moved to approve Transfer of Accounts. Commissioner Johnson seconded. The motion passed unanimously.

4. Vouchers:

Voucher numbers 66344 through 66431 in the amount of \$1,171,336.96, 66432 - 66463 in the amount of \$155,091.85 and 66464 - 66515 in the amount of \$2,974,721.54 were approved for payment from the revenue fund.

Commissioner Bunch initiated the motion, Commissioner Johnson seconded and the motion passed.

5. Public Comment:

Chris Warren mentioned that he was interested in putting up a private wind machine. Commissioners advised Mr. Warren that this issue would be discussed later during the session.

6. Telecom Update:

Richard Trimble and Joe Miller gave a telecom update. Mr. Miller distributed a chart showing estimated expenditures of \$1 million for fiber installation, equipment and lighting of 6 Sonet nodes, not counting the cost of fiber. Mr. Miller also mentioned the impact of downtime, noting that our systems' credibility and future contracts rely on offering a reliable product. A typical Service Level Agreement specifies that any down time in excess of 2 minutes is logged. After 15 minutes, you receive a full day's credit to your bill. Mr. Miller assured the Board that reliability and system backups were being implemented on our fiber project so we would not experience problems with excessive down time.

Mick Howe expressed interest in the bid process for remodel of our Omak building. Mr. Miller advised that contractors were selected from our Small Works Roster. Outside landscaping and yard maintenance have been done and the Fiber banner is now in place in Omak. Remodel of the inside of the building should commence within two weeks.

Commissioner Rowland requested Mr. Burke's opinion on the need for a third account clerk in Omak. Mr. Burke favors this addition, but is apprehensive about future growth causing a potential need for a fourth clerk in Omak. He advised that transferring one of the account clerks from Okanogan would not be a feasible option. Reasons for his decision were based on the current high volume of calls and customer traffic in Okanogan due to Engineering and Conservation departments being located there.

Commissioners Bunch and Johnson both requested information on the status of our contract with Verestar. Mr. Trimble advised we have not signed a contract yet, but terms have been discussed and Verestar is very eager to work with us. Commissioner Johnson concurred with this opinion based on his discussion with the Verestar Representatives as well. Verestar has given every indication that they are ready and willing to move forward.

Commissioner Johnson requested information on the priority given to each sector of the fiber project. It is his wish that the Methow arm be given priority due to the interest and financial backing of NCTeleserve in the Twisp area. Joe Miller advised we are focusing 99% of our effort on getting the fiber lit at our locations from Chief Joseph Dam to Verestar at this time. After this section is up and running we will again contemplate priority of installation for other areas.

7. Funding of Methow Fiber Link - Resolution 1216:

Richard Trimble presented resolution #1216 to the Board. The statement of intent read "A RESOLUTION AUTHORIZING SUBMITTAL OF APPLICATION TO THE

COMMUNITY ECONOMIC REVITALIZATION BOARD (CERB) FOR FUNDING OF THE METHOW VALLEY REDUNDANT FIBER LINK".

Richard Trimble estimated our capital cost for the proposed Methow Valley Redundant Fiber Link to be around \$1.5 million. Bids have been submitted to Century Tel for OC12 and OC3 services, with a 3-year contract offered. Century Tel is the service provider for NCTeleserve. Gross cost of OC3 service to Twisp with Noanet's markup would be just under \$250,000 for a 10 year period of time. Service with 2 OC3's would be just under \$500,000. According to Mr. Trimble, we have to decide what potential growth justifies the payback cost. We are working with Mason County PUD to establish a customer in the Pateros area. Commissioner Johnson responded that the whole fiber program has been based upon assumptions, but we are going in the right direction. He feels a program that will create at least 100 new jobs in its first year up the Methow is a positive force in local economic growth. A proponent of this plan was Lew Blakeney, of NCTeleserve. Mr. Blakeney offered confirmation of his willingness to put a \$5 million investment into the Twisp Industrial Park area in the form of a Call Center if a redundant fiber link is installed.

Kurt Danison presented information on the CERB grant process to the Board. Points mentioned were that it is always easier to get a loan than a grant, as loans are paid back. Mr. Danison felt our chances were at least 50% that we would receive the grant if CERB received their previous funding level. Grant applications will be approved or denied on the same day that legislature approves CERB's funding level. This figure could be as high as \$15 million or nothing at all. CERB's meeting will take place July 19, 2001 at Sea-Tac.

Commissioner Johnson asked if the Okanogan PUD had checked into other narrow-band resources such as wireless radio or microwave. Mr. Miller and Mr. Trimble both advised that fiber is our best choice for broadband reception..

Commissioner Rowland moved to approve Resolution #1216. Commissioner Johnson seconded the motion, which was approved unanimously. A copy of the Resolution was given to Kurt Danison of Highland Associates for forwarding to the granting agency. Commissioner Rowland would like the minutes to reflect the Board's instruction to prepare a letter to CERB outlining our circumstances and the importance of this grant to our future endeavors. Mr. Trimble will work on drafting this letter.

8. BPA Load Reduction:

Larry Felton is in the process of negotiating the terms of our agreement with BPA for a credit if we achieve 10% load reduction. Chelan County PUD has also offered discussion on a program of power sharing between the two utilities.

Mr. Trimble received a call regarding an AP News Story scheduled to hit papers today. According to the statement, BPA feels they can keep their rate increase

down to 100% if utilities are successful in their 10% reductions. BPA should be finalizing their rates this month. Commissioners Johnson and Rowland also discussed the interpretation of BPA's reduction plan based on a story in "The Friday Fax" report. This article mentioned Franklin and Benton PUD's making agreements with BPA similar to the DSI agreement, where BPA will buy the 10% load back at a favorable rate. Mr. Burke advised these agreements always have stipulations we need to be aware of. Mr. Trimble advised our agreement with BPA is contingent on getting our diesel generators permitted. Commissioner Johnson expressed concern that a 10% reduction may be hard on our ratepayers. It was discussed that if BPA reimburses us for it and rates stay lower there would not be a hardship. Mr. Trimble and Mr. Felton will continue negotiations, with hopes of having a contract ready for approval at the next Board Meeting.

9. Wind Generation Report:

Owners of the parcel of land considered by Energy Northwest as our primary site declined the PUD's agreement. The landowners expressed concern over activity on and improvements to the land as their primary reasons for rejecting the proposal. Commissioner Johnson requested that other sites be studied and possibly monitored in other areas besides just ones beneficial to Energy Northwest. Mr. Trimble assured Commissioners that Energy Northwest is completing evaluations on multiple sites, with their recommendations based on feasibility per site. Mr. Trimble gave an update on the Nine Canyon wind project. There are still some scheduling issues regarding how we receive the power, however a final agreement to purchase excess generation is imminent. Our share is 12 megawatts, where the average generation is 3-4 megawatts. The contract is still in draft form, and price will depend on output costs.

10. Slice Scheduling:

Scheduling of Slice is encountering the same problems as the Nine Canyon project. We are currently working with Douglas PUD to locate software called BIZTALK. This program would incorporate a means of sending and receiving Slice product information to track reception of our power.

11. Enloe Dam:

The Colville Tribe is coordinating with British Columbia Tribes to get a consensus on fish passage up the Similkameen. It is the tribes' opinions, based on oral histories, that Enloe Dam has always been a natural barrier and no spawning has occurred beyond that point. They feel the spawning never happened, it is not beneficial, desired, or necessary. A Tribal theatrical troupe would like to perform the historical Coyote story at the Special Gathering of Tribes to be held this summer. The gathering will also be attended by representatives of the National Marine & Fisheries Service (NMFS) and the U.S. Department of Fish and Wildlife. The Tribes have requested a \$5,000 (Canadian funds) donation from us to assist with their presentation and the gathering. Various opinions were expressed regarding the cost and justification of this

expense. Mitigating factors included NMFS's continual refusal to acknowledge our previous correspondence, and the difficulty in finding an efficient way to reach members of these Tribes. Commissioner Rowland pointed out that it has taken years for these tribes to form this consensus, and their help could be invaluable to our efforts. Commissioner Johnson agreed that the Tribes and the PUD share similar goals, however we may be well advised to look for more cost-effective alternatives. Mr. Trimble advised that we already have held many meetings so far to coordinate licensing of Enloe Dam. Commissioner Bunch noted we have over 3 million dollars into Enloe Dam, and a letter probably would not be read by NMFS or distributed to all members of the Tribes. Commissioner Rowland moved to give management leeway to sponsor the meeting of the tribes, as their presentation to the USF&W and NMFS could be invaluable to our ongoing efforts. Commissioner Johnson seconded the motion, which was unanimously approved. Commissioner Bunch requested an update on this be given at our next Board Meeting.

12. Bid 299-01, Mailing Equipment:

Frederick Burke presented a report on this bid. Mr. Burke advised that \$54,000 for the replacement of obsolete mailing equipment has been in our budget for the past two years. Software conversions and the wish to use our existing equipment as long as possible caused this purchase to be postponed. The U.S. Postal Service has expressed their unwillingness to keep loading new postage into our old equipment. Pitney Bowes was the only responder to our Bid requests sent. We estimated the cost at \$54,000 and Pitney Bowes quoted us \$48,683. The new equipment will use optic sensors to allow for sorting and multiple postage weights "on the fly". Branch offices have already complied with new postal requirements and purchased new equipment. The Okanogan office is the last one to do so. Commissioner Rowland moved to approve Bid #299-01. Commissioner Johnson seconded the motion, which passed unanimously.

13. Public Comment:

Chris Warren would like the PUD to consider buying power from individuals who purchase wind machines to support a portion of the load where they live. Mr. Trimble's response was that the PUD currently has a contract being reviewed internally for the purpose of purchasing third-party power generation such as that mentioned by Mr. Warren. The contract for commercially generated wind or diesel power would cover a 5-10 year period of time and would allow a market index floor. By providing this agreement, property owners would conceivably have a document that they could use as collateral or take to a bank as proof of income for lending purposes. Mr. Warren also expressed an interest in net metering and speaking with a local person who actually has a wind generator. Debra Peters will provide Mr. Warren with the name of a local person with this type of equipment.

14. Meetings:

There were no meetings to report.

Miscellaneous:

Commissioner Johnson discussed a proposal and Resume' from Rob Thompson regarding freelance consulting for our Conservation Department. Copies had been forwarded to staff for review. Mr. Thompson was considered as an applicant for the Temporary Conservation Aide position, but no interviews had occurred at this time.

PUD Attorney Michael Howe read a letter from Senator Morton's office in response to our request for conservation policy clarifications. All parties were pleased at the prompt response from Senator Morton. Commissioner Johnson would like references to geothermal systems deleted from the letter, as he feels this is not a viable source of energy. Mr. Howe responded that this issue is of statewide interest, so geothermal options will most probably be left in. We will request the addition of solar water pumping and solar water heating to our letter. Mr. Howe will notify Senator Morton's office of our suggestions as soon as possible.

Adjournment: Commissioner Darrel Bunch adjourned this meeting at 12:09 pm.