

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

**Present:**

Board: Darrel Bunch, Donald Johnson, James Rowland

Staff: Harlan Warner, Richard Trimble, Frederick Burke, Debbie Peters, Don Coppock, Don Clutter, Larry Felton, Derek Miller, Dan Boettger

Other: Michael Howe, Legal Counsel;

Public: Jim Divis, Vicky Welch, Vern Donnet, Susie Joe, Maeyowa

Commencement: 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. Foster/Wheeler Contract Amendment
7. BPA Rate Increase
8. ESD Fiber Cooperative Contract
9. Power Scheduling Review
10. Generation Report
11. Fiber Report
12. KWELM Insurance Distribution
13. Public Comment
14. Meetings
15. Twisp Conditional Use Permit Appeal

**1. Approval of Minutes:** Commissioner Johnson moved to approve the Minutes of the June 19, 2001 regular meeting as corrected below; Commissioner Rowland seconded; motion passed.

Page 4, Enloe Dam Status Report: It was noted by staff at the meeting that the 1990 estimated cost of the project was \$15 million.

Page 4, Diesel Generation Status Report: It was noted by staff that the temporary diesels have not been running for the past couple of weeks.

Page 5, Foster-Wheeler Progress Report: First sentence should read "expand their involvement in Twisp-Pateros transmission line alternatives" rather than "complete the evaluation of Twisp-Pateros transmission line alternatives".

**2. Approval of Work Orders:** The following work orders were submitted for approval:

|          |   |                     |
|----------|---|---------------------|
| 01-2 & 4 | Martin, Michael - Antwyne Lane                      | \$ 2400.00          |
| 01-0094  | Voelckers, Carl - 476 Pharr Rd., Riverside          | \$ 5818.00          |
| 01-0095  | Voelckers, Carl - 476 Pharr Rd., Riverside          | \$ 6242.00          |
| 01-0100  | Charter Communications - Omak Airport Road          | \$17360.00          |
| 01-0109  | Beetchenow, Wayne - Conconully Hwy                  | \$ 2603.00          |
| 01-0112  | District-Omak                                       | \$ 2960.00          |
| 01-0113  | District - Glenwood Ave.                            | \$ 2760.00          |
| 01-0114  | District - Robinson Canyon Rd                       | \$ 1405.00          |
| 01-0115  | District - Danker Cutoff                            | \$ 1627.00          |
| 01-0117  | Pemberton, Sue - Hwy 97, S. of Malott               | \$ 1010.00          |
| 01-0118  | District - Omak High School football field          | \$ 2355.00          |
| 01-0119  | District - Johnson Crk Rd                           | \$ 1116.00          |
| 01-0121  | District - Country Estates                          | \$ 1936.00          |
| 01-0128  | Berney, Buzz - Conconully Hwy                       | \$ 1614.00          |
| 01-0343  | McDaniel, Bob - Whitestone Lake                     | \$ 4780.00          |
| 01-0362  | Wheeler, Jim - Sourdough Crk Rd                     | \$ 5500.00          |
| 01-0368  | Porter, Stan - Dairy Point (Lake Osoyoos St)        | \$14900.00          |
| 01-0370  | Azevedo, Jose & Lisa                                | \$ 4975.00          |
| 01-0371  | Oroville Housing Authority - Sawtell Road           | \$ 7895.00          |
| 01-0372  | District - Golden St. at 5th Ave.                   | \$ 1600.00          |
| 01-0377  | Silverson / Boag - Ponderosa Ranches                | \$ 2300.00          |
| 01-0643  | Nolan, Robert - Ross Rd., Carlton                   | \$ 2032.00          |
| 01-0655  | Barker, Eldred - Airport Rd, Twisp                  | \$ 3091.00          |
| 01-0656  | Astrolink/Verestar - Verestar Drive                 | \$14865.00          |
| 01-0667  | Cargill, Hugh / District - 614 Methow Valley, Twisp | \$ 2837.00          |
| 01-0669  | Kelly, Brian - Henry Lane                           | \$ 7965.00          |
|          | <b>Total Work Orders</b>                            | <b>\$123,946.00</b> |

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

**3. Transfer of Accounts:** The following accounts were submitted for transfer:

|              |                     |                   |
|--------------|---------------------|-------------------|
| Invoice 2995 | Jose Cortez-Carmen  | \$496.03          |
| Invoice 2989 | Charmayne Comeslast | \$ 25.00          |
| Invoice 2939 | Angie Berntsen      | \$339.08          |
| Invoice 2903 | Barbara Watt        | \$3,421.20        |
|              | <b>Total:</b>       | <b>\$4,281.31</b> |

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

**Vouchers:** Voucher No.'s 66734 through 66822 in the amount of \$779,239.54; numbers 66823 through 66856 in the amount of \$150,624.65; numbers 66857 through 66938 in the amount of \$2,701,144.48 and numbers 66939 through 66965 in the amount of \$237,665.73 were approved for payment from the revenue fund.

**4. Public Comment:** There were no public comments at this time.

**5. Magi Conservation Contract:** Jim Divis made a presentation to the Board. He noted that the rate increase is significant to Magi. Discussions with staff regarding a conservation agreement were initiated in April. Magi hired a consultant to work with them. Mr. Divis went to his directors on June 11, 2001 for authority to spend about \$1.2 million, but was subsequently notified of our board discussion regarding PUD's reluctance to proceed with their conservation contract. Mr. Divis noted the advantages of this contract, including no up front PUD funding and advantageous load shape. Nine cents makes Magi's return on investment period about 3 ½ years, and costs less than diesel generation. Staff noted that the electric market has changed substantially in the past month, which makes nine cents unfeasible. The BPA Conservation-Augmentation program was also discussed, which could be of benefit to Magi. Mr. Divis felt that the program he had planned would not be able to go forward under these circumstances.

**6. Foster/Wheeler Contract Amendment:** Manager Warner asked the board to consider the contract amendment presented at the last meeting at an amount not to exceed \$14,984. Commissioner Johnson passed out some comments on the amendment and suggested that staff prepare a report regarding the schedule for all elements of the study before approving a contract amendment. He also suggested a meeting between Foster-Wheeler and the USFS to discuss environmental permitting requirements for rebuilding the Loup-Loup line. Manager Warner noted that the USFS had previously stated that the rebuilding would have to be exactly in place to avoid an EIS. Commissioner Johnson asked about the Conservation and Renewables Discount (C&RD). Staff noted the maximum amount is about \$217,000 per year, which could be front-loaded for five years. Commissioner Johnson suggested that C&RD funds could be applied to renewable generation and conservation alternatives in the Methow. There was discussion about staff workload and priorities and the eligible uses of the C&RD funds. Manager Warner estimated 60 days for completion of the work. Commissioner Johnson moved to approve the contract amendment; Commissioner Rowland seconded; the motion passed.

**7. BPA Rate Increase:** Manager Warner noted that BPA has announced their October 1 rate increase at 46%, which is substantially less than projected. This has not been without cost however, as we have executed a contract returning 10% of our BPA entitlement over the next year. Staff will be recalculating our financial projections and October rate increase. There are a number of

variables, including BPA rate increases after the initial six-month period. Commissioner Johnson asked how much of the 10% might be made up through conservation. Staff responded that at this point the effect appears to be relatively small, and that our usage to date is higher than last year even given comparable temperatures. There was discussion about how BPA refinancing decisions and favorable interest rates affected the initial lower rate increase and could impact future rate increases.

**8. ESD Fiber Cooperative Contract:** Manager Warner noted our previous decision to share costs in the ESD fiber cooperative, and he presented the formal agreement for consideration. Commissioner Johnson suggested the ESD shift their workload rather than increase the amount we already pay by \$11,000. Staff noted the benefit this contribution makes to our own efforts. Commission Rowland moved approval of this contract with the stipulation that the ESD make a presentation to the board regarding the educational programs in which the PUD is participating. Commissioner Bunch seconded. Commissioner Johnson opposed. Motion passed.

**9. Power Scheduling Review:** Staff made a presentation to the board regarding the scheduling challenges being faced by the PUD. Examples are the Nine Canyon Wind project and third party generation. Commissioner Johnson asked about how scheduling was affected by the load buy back, diesels and the Columbia Generating station. Staff responded that the Columbia Generating station does not currently impact scheduling, but it will after October 1 under Slice. There are third party diesels, temporary diesels and the Ophir permanent site. In May we were particularly short on Wells, but that shortage was filled by our temporary diesels. We shut those down in early June and have since been purchasing on the market. Ophir will be available shortly if the price increases. Third party diesels are not currently running. These third parties present a particular scheduling challenge, but the techniques we have implemented can apply to renewables. This could be done by implementing a green rate, subsidizing the small generators and/or aggregating small generators with the energy sold and revenues divided. Staff discussed an example daily load with excess renewable energy that could be sold. Staff intends to refine a standard offer and/or green rate that would apply to renewables.

Break: Recessed for lunch at 12:45 p.m. Reconvened at 2:00 p.m.

**10. Generation Report:** Staff noted that the electric market had dropped at the end of May, so the June shortage had been purchased on the market and the temporary generators shut down.

Near the end of June the decision was made to return the leased temporary generators to Cummins. Eight units at the Ophir site have been tested and are ready for operation, although a few have not had the scrubbers commissioned. The other eight will be ready in a couple of weeks. There was discussion and

questions from the audience about the lease period, cost and the number of days of operation. Staff noted that the units were down for about 24 days. Commissioner Johnson asked how much generation from the temporary units was worth. Staff responded \$138 per MWh, which was below a rough average market of \$250 during the March-May period. In response to a question, staff explained that the capacity of the plant is less than our worst case projected deficit in February, however there are months when excess capacity would be available for sale, which would in turn mitigate our costs. Staff noted that this plant protects against a volatile market and rolling blackouts, and also saved a \$5.5 million deposit to BPA for the Slice contract. It was also noted that runoff at The Dalles is projected at a near record low for the January - June 2002 period, so this is a reliability issue rather than an economic one. In response to a question, staff described a phased 250 hour break-in period for the plant. Commissioner Rowland noted that we have a permanent permit, so we'll have our generators available when others won't. It was mentioned that a wind prospecting meeting with Energy NW will occur at the PUD on July 19th. Energy NW is supplying two meteorological towers.

**11. Fiber Report:** Staff presented an update on estimated costs and schedules to the board. Staff also noted that CERB staff had recommended a \$400,000 grant and a \$400,000, 3% loan which would be considered on July 19. The backbone has tracked close to the original estimate at \$3.3 million. The network estimate has increased to \$1.9 million from \$1.25 million presented to the board in early June. While staff is still refining these numbers, they wanted the board to be aware of the problem. Reasons for the increase are: added loops to facilitate future customer access, Network Operations Center (Omak building) costs being higher than originally anticipated and the cost of training staff in carrier-class systems. Staff also noted the schedule for fiber extension to Oroville had slipped to February, and the schedule for extension to Twisp was uncertain. Commissioner Rowland noted the fiber extension to schools on the budget and asked if the PUD was providing that fiber. Staff responded that we are planning the extension but decisions about the costs have not been made. Commissioner Rowland noted that this was a precedent setting policy that needs to be reviewed. He understands the need for carrier class quality and the associated costs but is concerned about the policy on fiber extensions. He also noted that if schedule is an issue, there are 200 jobs in Twisp that should be given priority.

**NoaNet:** Staff noted that Lewis and Skamania were released from NoaNet debt obligation in the third repayment agreement. Lewis in particular had been willing to retain their original obligation but complexities in dealing with the retained debt led the board to decide to release them entirely.

**12. KWELM Insurance Distribution:** Manager Warner noted that the PUD received a check for \$1,129.16 from KWELM related to the settlement of WPPSS 4 & 5 projects.

**New Customer Connect report:** Manager Warner handed out the new customer connect report for 2nd quarter 2001.

**13. Public Comment:** There were no public comments at this time.

**14. Meetings:** There were no meetings to report.

**Executive Session:** The meeting convened at 3:25 p.m. for Executive Session. No actions were taken during this session. The regular meeting was reconvened at 3:50 p.m.

**15. Twisp Conditional Use Permit Appeal:** Attorney Howe noted that the appeal filed by Sue Elson and Dan Smith concerning the issuance of a Conditional Use Permit for expansion of our Twisp substation had been dismissed based on failure to perform proper service.

**Adjourned:** Regular meeting was adjourned at 4:00 p.m.