

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

Present: Board: Darrel Bunch, Donald Johnson, James Rowland;
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Derek Miller, Tina DeLap
Other: Michael Howe, Legal Counsel; Gene Sharratt and Jack Horne, ESD Reps

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

Summary Agenda

1. Approval of Minutes
2. Approval of Work Orders
3. Approval of Vouchers
4. Public Comment
5. ESD Co-Op Report - Gene Sharratt, 9:00 a.m.
6. Small Works Roster, Resolution 1218
7. CERB Grant, Methow Fiber Line
8. Fiber Update
9. APPA Preference Campaign Fund
10. Nine Canyon Wind Project
11. Public Comment
12. Meetings

1. Approval of Minutes: Commissioner Johnson moved to approve the Minutes of the July 10, 2001 regular meeting as amended below. Commissioner Rowland seconded; motion passed.

Page 3, Item 5: After the sentence "... makes Magi's return on investment period about 3 1/2 years, and costs less than diesel generation" add a new sentence that reads, "It was noted by staff that the proposed spending was \$1,054,000 and that energy bill savings and PUD requested funding would pay back the investment in 2 years."

Page 3, Item 6: At the end of the fourth sentence, ending with "...rebuilding would have to be exactly in place to avoid an EIS", add "or an environmental assessment."

Page 4, Item 8: Change the phrase from "shift their workload rather than increase the amount we already pay by \$11,000" to read: "shift their workload rather than increase the \$43,000 per year we already pay by \$11,000."

Page 4, Item 9: Commissioner Johnson would like a sentence added after the ninth sentence, so the paragraph would read: "Third party diesels are not currently running. The last third party diesel generation was on May 26th."

Page 4, Item 10: At the bottom of page four, after ..."the June shortage had been purchased on the market and the temporary generators shut down." add a new sentence which reads, "Market prices have been \$30 - \$60/mw for the last 2 weeks."

Page 5, Item 11: Add a final sentence to this paragraph, which reads: "The Financial Officer expressed concern that fiber expenses may exceed budget funds by \$5 million, which would have to be considered in determining the new rate schedule."

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

01-0671	District - Lake View Drive, Pateros	\$ 1,646.00
01-0373	Shearer, Greg - Mary Ann Creek Rd	\$ 3,900.00
01-0672	Bulls'N Blood Rodeo - Alley off Main Ave	\$ 1,998.00
01-0673	Wallis, Peter - 38 Elbow Canyon Rd, Twisp	\$ 4,962.00
01-0679	Day, Peter - Vinton Road, Carlton	\$ 4,975.00
01-0680	Lawler, Carter - 1450 Vinton Road, Carlton	\$ 6,192.00
01-0678	District/Maintenance - Hwy 97 & Monse River Rd	\$ 597.00
01-0674	Cote, Gary - Hwy 153	\$ 2,212.00
01-0677	District - Starr Rd, Pateros	\$ 2,465.00
01-0676	District - Libby Creek Rd	\$ 1,242.00
01-0380	Olson, Tiffany - Hwy 97 South of Oroville	\$ 1,950.00
01-0369	District - 5th Ave #5000 Underground	\$ 2,400.00
01-0124	City of Okanogan - Rodeo Trail Road	\$ 1,494.00
01-0123	Central Valley Sports Complex - Rodeo Trail Rd	\$ 3,820.00
01-0122	Central Valley Sports Complex - Rodeo Trail Rd	\$ 4,015.00
01-0129	PUD Fiber Bldg - 18 West First Street, Omak	\$ 7,540.00
01-0120	District - Mock Tracts	\$ 3,550.00
01-0117	Pemberton, Sue - Hwy 97 S. of Malott	\$ 973.00
01-0134	Jeter, Fred - Cherokee Road	\$ 696.00
01-0133	District - Old Basin Asphalt Plant, N. of Omak	\$ 522.00
01-0131	Thompson, Mark - 69 Dry Coulee Rd, Okanogan	\$ 2,520.00
01-0116	Qwest Communications - West 3rd St, Omak	\$17,033.00
01-0073	Hild, Marvin - 1678 Old Hwy 97, Malott	\$ 3,658.00
00-0237	Judd, Eric - Spring Coulee Rd, Okanogan	\$ 7,368.00
01-0107	District - Okanogan Substation (M)	\$ 8,691.00
01-0119	District - Johnson Creek Rd.	\$ 1,116.00
	Total	\$97,535.00

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

3. Vouchers: Vouchers Numbered 66966 through 66998 in the amount of \$161,027.83, vouchers 66999 through 67108 in the amount of \$332,628.85, number 67108 for

\$156,600.00 and voucher numbers 67109 through 67188 in the amount of \$211,223.35, were approved for payment from the revenue fund.

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

5. ESD Co-Op Report - Gene Sharratt, 9:00 a.m.: Gene Sharratt, Superintendent of North Central Educational Service District (ESD) and Jack Horne, Science Coordinator, joined the meeting at 9:00. Mr. Sharratt outlined ESD's programs currently in place for educating children about electricity. At the elementary level, programs are in place for kindergarten, second, third and fourth grade classes. Kindergarten students learn about "Offalot", the mascot teaching kids to be aware of things that use electricity around them. Second graders participate in the "Energy Elves" program, which teaches how electricity travels and how to conserve energy. Classes in third grade center entirely on the hazards of electricity and provide many safety tips. Fourth grader students learn the more technical issues of electrical conductivity, parts of an electrical system and responsible use of natural resources. At the middle school level 6th and 7th grade students learn with the "Nature of Water Power" program. A Hydropower program for teachers is also offered by the ESD. This program lets teachers learn more about hydropower, and sign up to bring future groups of students to a nearby dam for field trips. The Science Olympiads offer middle school children the opportunity to compete in a knowledge-bowl type of setting, in teams of 5 - 8 students, answering science and technology related questions.

Four county utilities belong to the ESD: Grant, Chelan, Okanogan and Douglas. These four PUD's are looking to support fiber in their local schools. Legislature funded the program to connect every school to the internet, however they do not currently have a program funding fiber. Washington is the only state in the nation that attained the goal of having Internet access in each of the state's schools. The internet is a good educational tool, however those systems are now getting overloaded due to the large amounts of video and audio information being transported on them. Mr. Sharratt expressed his opinion that fiber is the answer to this problem. Each PUD will work independently on their fiber models. The ESD will work with each of the classrooms and with each PUD to ensure timing and compatibility of their fiber systems. Commissioner Rowland expressed interest in having the ESD also teach children the difference between public and private utility companies. Mr. Warner advised this information may also be helpful to many of our customers. Mr. Sharratt will look into creating a brochure with this information.

6. Small Works Roster - Resolution 1218: RCW Title 54 requires all contracts in excess of \$35,000 be by formal bid unless the PUD adopts a Small Works Roster process for registering contractors. The Small Works Roster limit was increased from \$100,000 to \$200,000 by the 2000 legislature. Resolution 1218 establishes the Small Works Roster at the \$200,000 limit. This will give us much more flexibility. The PUD can still use the formal bid process any time it wishes, this resolution only clarifies the project limit for "Small Works". Commissioner Johnson moved to approve Resolution 1218 as written. Commissioner Rowland seconded; the motion passed.

7. CERB Grant - Methow Fiber Line: Rich Trimble reported on his attendance at the CERB meeting in Olympia, along with representatives of Highlands Associates, Centurytel and NCTeleserve. We initially requested \$500,000 in grant funds and \$300,000 as a loan. We did receive our total request of \$800,000, however \$400,000 was in the form of a grant and \$400,000 was in the form of a 20-year loan at 3% interest. Mr. Trimble advised that Kurt Danison and the presenters all gave excellent reports. Factors affecting CERB's decision to lower our grant amount were that the drought will end, and that telecom is a revenue-generating business. We can also go back to CERB at their December meeting and request a deferment of loan payments based on our economic hardship if this is necessary.

8. Fiber Update: NCTeleserve needs a firm commitment from us and a connect date for their investors if they wish to move forward. Staff were in agreement that we need at least one year to complete this project with our current resources. Chief Engineer Derek Miller advised that availability of fiber materials has improved drastically, with delivery times now closer to 16 weeks than the previous average of 48 - 60 weeks.

Discussions were raised regarding costs and scheduling of adding Twisp to the fiber route. We are in the process of hiring a limited assignment splicing / fiber technician, but still have a large amount of work to be completed. Conservative estimates put the completion date of our fiber installation at least one year away. NCTeleserve would like an April completion date, as expressed in their e-mail to Commissioner Johnson. Given our current resources, it is felt at this time that this is an unrealistic goal. Derek Miller will prepare an outline of current estimated costs to link Twisp to our fiber system, as well as how much it would cost to speed up projected completion dates.

Concerns were expressed by Commissioners that we may not have the ability to be as competitively priced on our fiber as other providers. This is a result of our equipment not being fully depreciated, while other companies already own their systems. It was felt that other providers would eventually need to upgrade their systems or plug into ours, so at that point in time our revenue will increase. It was agreed that we need to specifically identify a fair and equitable outline of who owns which rights to the fiber infrastructure to keep us competitive and still pay for our system.

9. APPA Preference Campaign Fund: Manager Harlan Warner presented a letter from APPA requesting our support in the form of \$2500.00 to fund a lobbyist at the federal level. We first participated in 1995 when this program was created. At that time our total cost was \$1,601.23. Commissioners and staff questioned the value of APPA's assistance in lobbying activities. The concern was raised that APPA cannot effectively represent us when they choose to single out BPA on many issues. APPA receives a great deal of influence from California and other markets, so it was generally felt that their concern over northwest power issues would not take precedence for them. It was also pointed out that several northwest organizations the PUD belongs to each have Washington, DC lobbying efforts that are funded through their dues allocation. For these reasons it was decided to not support APPA's request for \$2,500.00 for their Preference Campaign Fund.

10. Nine Canyon Wind Project: Staff were notified last Friday during a conference call that Seattle and Snohomish PUD's have dropped out of the Nine Canyon Wind Project. Seattle had a legal counsel problem, and Snohomish felt it was not feasible compared to other resource options. This leaves 10% of the project unsubscribed to. The system can either be scaled down to cover this shortage, more participants sought or existing participants may increase their shares. Chelan County PUD has already committed to taking 2 more megawatts of output.

Generation: Derek Miller gave an update on the status of hiring Diesel Operator / Maintainers. Out of 40 applicants, 14 were selected for interviews. A 6-person panel conducted interviews and selected top choices. Offers have been made to individuals for one Diesel Op/Maintainer Step 1 position and four Diesel Op/Maintainer Step 2 positions. Each position is Limited Assignment, and all will be hired and trained at the same time. Each applicant was notified that these positions are subject to layoff.

Load Buy-Back and Temporary Generation: Rich Trimble reported that our diesel generators made \$996,335 over the past four months. In June we lost \$164,563 due to market fluctuations, however purchasing this power on the market would have cost us \$2,519,007. Therefore, we saved just under \$1 million by using our temporary generators. Under our Load Buy Back agreement we gained \$248,655 from March 1st through May 1st. In June we lost \$74,216, making our net income so far \$174,439.00.

Battle Mountain Gold: It was reported that Crown Resources took over Battle Mountain Gold's project and modified it to include underground rather than open-pit mining. This will make Crown Resource's needs approximately 2/3 of their previously estimated projections, however they do not have actual figures at this time.

Conservation Loan Credit Checks: Director of Finance Fred Burke reported on a new procedure regarding conservation loans. Since loans are now available up to \$10,000 for individuals and \$25,000 for businesses, the PUD needs to be more diligent in establishing the creditworthiness of applicants. Mr. Burke attempted to contract for credit check services with local banks, but none of the banks were willing to provide this service. Scott Bessire, CPA, is currently doing these checks for us on a trial basis. Staff has been very pleased with the job Mr. Bessire has done so far, noting that he substantiates his conclusions very well. The cost of this service is approximately \$65 - \$100 per applicant. Mr. Warner commented that he understood credit checks were only done on applications over \$4,000 individual and \$10,000 commercial. Mr. Burke mentioned that they have done checks on some under these amounts. The Board expressed approval to continue using Mr. Bessire's services for the purpose of loan applicant credit checks.

Rocky Reach Dam Water Levels: Mick Howe requested clarification on the letter from Roger Braden regarding the Wells / Rocky Reach Dam water levels. By raising the level 1' at Rocky Reach Dam, generation is shifted from Wells Dam to Rocky Reach Dam. This shift in generation would reduce the amount received from our 8% share. One of the main issues stalling an amicable resolution of the issue is how frequently the pool would operate in the top 1'. The District will not support either party until we have received and reviewed

further information.

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

12. Meetings: WPUDA Meeting: Commissioner Bunch attended the WPUD meeting in Richland on July 18th, 19th and 20th.

Wind Generation: Manager Harlan Warner advised the Board that turnout for the July 19th Wind Generation Meeting was higher than expected. Larry Felton gave this presentation in conjunction with Energy NW, who plans on gathering 1 years' worth of data to identify potential wind generator sites. One factor narrowing the list of feasible sites is the amount of acreage needed. While each tower has a relatively small footprint, they need to be placed 500' x 1500' apart. It takes 20 - 40 units to produce 25 megawatts of power, so acreage adds up fast. Another qualification is that units must be within five miles of transmission lines. Larry received promising leads from this meeting, and will continue working on collating information.

WPUDA Meeting: Commissioner Johnson handed out notes from his July 19 & 20 WPUD Meeting in Richland, WA. His handout listed topics for discussion prior to adopting new rate schedules, status of new production at other PUD's, legislative updates, a NoaNet update and information on the Gorton contract. Commissioner Johnson expressed interest in having a tiered rate schedule implemented by October 1, 2001. A discussion of tiered rate schedules ensued, with pros and cons discussed. Clark and Snohomish PUD's have experienced problems with their tiered plans, especially with sorting and selecting those customers who need help the most. There is not currently an adequate way to single out income levels, extravagant users or large families from a customer base. Separate rate studies and revenue adjustments would need to be made to offset these challenges. Staff and Commissioners agreed that our time frame is not adequate to initiate a tiered plan. While many expressed hesitation in supporting a tiered plan at this time, it is still a possible option to be discussed in the future upon further study.

Energy Northwest: The regular meeting of the Board of Commissioners of Energy Northwest will take place at 9:00 a.m. Wednesday, July 25, 2001.

Adjourned: There being no further business, the meeting adjourned at 12:29 pm