

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan August 21, 2001**

Present: Board: Darrel Bunch, Donald Johnson, James Rowland
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Larry Felton, Bill Freeman, Debra Peters, Julie Pyper, Dan Boettger, Tina DeLap
Other: Michael Howe, Legal Counsel; Frank Bonnin, Gazette-Tribune; Susie Buchert, Chronicle; Claudia Smith, Alliance 2005; Tyler Thompson, Sam Shaddox, Doug DeLap

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. Public Comment
5. Report from Youth Scholarship Students
6. Metering Study Report
7. Fiber Report
8. Generation Report
9. Foster/Wheeler Progress Report
10. Appointment of Agent to Receive Claims-Resolution #1220
11. Public Comment
12. Meetings

1. Approval of Minutes:

A discussion on the effects of conservation was raised. During the August 7th Board Meeting, billed energy usage figures were summarized. Two phrases used in the minutes were "Residential use is up, commercial and industrial use are slightly lower and our overall usage is up," and "effects of conservation won't be known until a comparison of seasonal temperatures is made." Commissioner Johnson felt these phrases expressed a conclusion that conservation efforts were unsuccessful. Auditor Burke felt we could clarify that the figures were "billed usage", which would make the statements more accurate.

Commissioner Johnson provided figures which were available on his handout from the previous meeting, and verbalized his interpretation of figures provided by Auditor Fred Burke at the previous meeting. It is his interpretation that all customers used 15% more power in December, and residential

customers used 15.3% more. All customers used 14% more in January, and residential customers used 18.8% more. In February, Mr. Johnson recorded a 6.2% increase for all customers, and an 8.9% increase for residential customers. March reflected a decrease of 1.2% for all and .4% for residential. April figures showed all customers' use .8% lower and residential customer use .3% higher. Adding these figures would reflect the interpretation that all customers used 33.20%, or an average of 6.6% more power per month. Residential customers' use would have been 42.90% higher, for an average of 8.58% more each month. Staff noted these figures may not be accurate, since they were calculated from a report of billed usage, not actual usage per month, and no factoring of seasonal temperature differences took place.

REVISION: Item 10, Billed Energy Usage, 2000 / 2001. Add the word billed in the following locations for clarification: "Billed residential usage is up, commercial and industrial use are slightly lower, and our overall billed usage is up."

REVISION: Item 7, Power Purchase Agreement for Renewables. Change "calculate a daily average market price, then subtract this amount from the retail rate..." to "calculate a daily average market price, then subtract the retail rate from this amount."

REVISION: Item 9, Fiber Report. For accuracy, delete the word "more" from the 4th sentence in this paragraph. REVISION: Sonet nodes could cost in the range of \$90,000 - \$240,000 each.

Commissioner Johnson again discussed a misinterpretation of a quote published in The Wenatchee World. The article contained an interview of Assistant Manager Rich Trimble, by staff reporter K.C. Mehaffey in the August 5, 2001 Wenatchee World. The final sentence of the article read "By law, the PUD must keep its electric and fiber optic accounts separate, so the fiber optic project cannot affect electric rates, he said." Had the sentence included the words "long term" at the end, it would have been accurate. It is Commissioner Johnson's contention that this misquote should be publicly noted and corrected. Although books are kept completely separate for electric and fiber, it is possible for the PUD to borrow funds from the electric revenues to help fund fiber project costs. These funds would be in the form of a loan, which would then be paid back to the electric account by fiber revenues. It is possible for Telecomm to affect electric rates in this way, but not long-term.

Commissioner Johnson also requested that the issue of fiber's affect on electric rates be discussed. Commissioner Rowland noted the issue was not on this agenda, however he supported the issue being an agenda item for a future meeting to allow staff time to prepare.

Commissioner Rowland moved to approve the Minutes of the August 7, 2001 meeting as amended; Commissioner Johnson seconded; the motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

00-0237	Eric Judd, Spring Coulee Rd., Okanogan (Rev. #2)	\$7,368
01-0004	Ryan Cline, 62 Pinecrest Rd., Tonasket	\$1,128
01-0004	Julia Copple, 267-B Salmon Creek Rd.	\$1,521
01-2&4	Chris Wood, Lot 3 Coulee Heights, Okanogan	\$2,039
01-0116	Qwest Communications, West 3rd St., Omak	\$17,033
01-0125	Melissa Thomason, Hanson Rd.	\$2,662
01-0131	Mark Thompson, 69 Dry Coulee Rd., Okanogan	\$2,520
01-0136	District, Queen St., Okanogan	\$6,147
01-0143	Dave Womack, 716 Kenwood St., Omak	\$3,721
01-0144	John Scaggs, Cook Mtn. Rd.	\$11,411
01-0357	District, O'Neil Rd.	\$1,025
01-0376	John Pence, Lot 11, Div. VII, Nine Mile Ranches	\$2,550
01-0386	Warren Zesiger, Molson	\$3,140
01-0392	Doug Perkins, Lot 17, Div. II, Nine Mile Ranches	\$4,400
01-0690	Mike Newman, 3009A Hwy. 153, Twisp	\$1,791
	Total	\$68,456

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

3. Transfer of Accounts:

Clarke, Patricia	\$123.05
Fletcher, Misty Lynn	\$161.84
Power, Miki & Aggers, Sarah	\$49.94
Steward, William	\$37.14
Clark, Jeff (to consolidate accts)	\$493.11
Total:	\$865.08

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

Vouchers:

A discussion of vouchers to Avista took place. These vouchers paid for power purchases made in lieu of diesel generation due to low market prices. Vouchers No.'s 67422 through 67454 in the amount of \$168,541.00, No.'s 67455 through

67557 in the amount of \$318,992.06 and vouchers 67558 through 67642 in the amount of \$602,496.78 were approved for payment from the revenue fund.

4. Public Comment:

There were no public comments at this time

5. Report From Youth Scholarship Recipients:

Debra Peters introduced Adventures in Science and Technology scholarship winners. Each winner spent one week at the Western Washington University campus in Bellingham, WA. Sam Shaddox, an 8th grade student from Tonasket, attended the "Incredible Invertebrates" class. Sam had originally signed up for the "Explorations in Chemistry" class, but was transferred to "Incredible Invertebrates" as this class was already full. Tyler Thompson, a 7th grade student from Omak, and Douglas DeLap, a 7th grade student from Okanogan, both attended the "Discovering Science and Technology" class. Each student gave a presentation to the Board outlining classes taken and activities participated in during their week at the University. Okanogan PUD has sponsored scholarships for students to attend Adventures classes for the past three years. Three children are chosen to attend each year based on submitted applications, essays and letters of recommendation. Classes taken introduce children to engineering, natural resources, science and technology.

6. Metering:

Larry Felton and Bill Freeman gave a presentation on electronic meters and "smart metering". These meters are able to electronically record up to 23 different data options and download this information via cellular, telephone, Internet or fiber. Some utilities in deregulated states use these meters to set different rates for different times to allow for off-peak billing. The PUD now uses electric meters for new 3 phase and CT meter installations. They are cost-effective for these applications, and are bi-directional, auto-ranging and over 99.9% accurate. Okanogan PUD has approximately 20,600 meters currently in use. To change out these meters to a smart-metering system would cost around \$10 million for the meters alone. A basic smart meter costs \$250, but can run to \$800 depending on modems, data options and recorders. Their cost makes them impractical for regular residential use at this time, since a standard residential meter costs approximately \$30.00.

These meters allow establishment of peak, shoulder and low demand blocks and corresponding peak and off-peak rates. Incorporation in the rate schedule of cooperating customers would reward them for reducing the cost of PUD power. A PUD industrial customer has been using such a meter and PUD staff are familiar with their capabilities. They have diagnostic abilities that could save trouble-shooting time.

10:00 - 10:09 Break

7. Fiber Report:

Richard Trimble updated Commissioners on fiber. He was given 9 days to provide a quote to the State DIS (Department of Information Systems) for T1 service to area schools on the Highway 97 corridor. T1 service is typically carried over copper wires rather than fiber, and is less efficient than Ethernet. Although T1 service is not what the fiber is designed to provide, it would put us in line to upgrade these clients to our Ethernet service later. T1 service would be provided through CenturyTel equipment. Our tentative Ethernet rate is \$220, and the T1 rate is \$330. Our rates are higher than other PUD's, but we are looking at a shorter-term project pay off. The DIS agreement would cover Brewster, Okanogan, Pateros and Omak schools. Methow Valley School was discussed, however not included in the original proposal. This school is not on the Highway 97 corridor, it lies outside the Okanogan PUD's service area and is served by the Winthrop Co-Op. It will take an estimated 90 miles of fiber to reach our first 148 customers, however provisions for extensions to these lines have not been made. A Line Extension Policy needs to be developed which will detail how customers will be served.

The following schedule is a tentative timeline for completion of fiber phases. Fiber for Qwest should reach Omak by December, 2001 and Pateros by first quarter, 2002. T1 or fiber should reach Highway 97 school districts by June, 2002. Fiber for Centurytel should reach Twisp by August, 2002 and fiber to Qwest in Oroville should be in place by third quarter, 2002. It is possible that resources may need to be added to reach Oroville for Qwest by third quarter 2002. Commissioners will re-visit these options at a later time.

The Commissioners complimented Mr. Trimble for being able to develop the T1 rates so quickly. The Board also expressed appreciation for his efforts in developing the PUD fiber system and coordinating with NoaNet.

8. Generation Report:

Staff reported diesel generators are running for their "shakedown" period. Our new Diesel Operator/Maintainer Step 1 is Jeff Serles. Diesel Operator/Maintainers Step 2 are: Tim Tugaw, Roy Taylor, Rich Routien and Kirk Sapp. Larry Felton advised a diesel generation report will be compiled monthly listing the generators' production.

Wells Dams power production is down as a result of low water. Two of the purchased diesel generators are running; their power costs are about \$140/MWH. Energy futures on the market are around \$40/MWH through the fall. The diesel units produced 350 MWH in July.

9. Foster/Wheeler:

Harlan Warner, Rich Trimble and Don Brantner had a conference call with ECI and Foster/Wheeler on Monday, August 20th. The District had sent Foster Wheeler and ECI the information they had requested. Manager Warner felt October would be a realistic timeframe for completion of Foster/Wheeler's report.

10. Appointment of Agent to Receive Claims - Resolution #1220:

At the request of PUD attorney Mick Howe, Resolution #1220 was brought before the Board. This resolution puts the PUD in compliance with legislative regulations requiring a person filing a claim to give notice of their intent to file to an Official Agent of the company. Resolution 1220 formally identifies the Manager of the PUD as Agent to Receive Claims. Notice of an Agent's assignment should also be given to the Auditor's Office. Commissioner Rowland moved to approve Resolution #1220 appointing Manager Harlan Warner as Agent to Receive Claims for Okanogan PUD #1. Commissioner Johnson seconded; the motion passed.

11. Public Comment:

PUD Attorney Mick Howe requested that the Board consider purchase of a podium for the Auditorium. This issue will be researched further.

12. Meetings:

Commissioner Rowland and Manager Harlan Warner reported on their meeting with Senator Maria Cantwell in Grand Coulee on Wednesday, August 8th. Issues discussed included the relicensing requirements for hydro-electric dams, BPA rate increases, transmission issues, funding the Renewable Energy Incentive Credit for Wind Projects and support for a Northwest title in any federal legislation.

Commissioner Rowland attended a two-day strategic planning meeting at the Okanogan PUD on Thursday, August 9th and Friday, August 10th.

The next Okanogan PUD Board meeting is scheduled for September 11, 2001.

There being no further business to discuss, the meeting adjourned at 11:18 a.m.