

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan September 11, 2001**

Present:

Board: Darrel Bunch, Donald Johnson, James Rowland  
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Derek Miller,  
Tabetha Hatfield, Mike Beach, Dan Boettger, Debra Peters, Steve  
Brown, Janet Crossland, Don Coppock, Joe Miller, Julie Pyper  
Other: Michael Howe, Legal Counsel; Claudia Smith, Lael Duncan, Arnold  
Asmusssen, John Andrist, Lew Blakeney, Jim Weed - Alliance  
2005; Susie Buchert - Chronicle  
Public: Aileen Jeffries, Mike Ferris, Mike Price, Tom Caton, Bob Clark,  
David Kliegman, Vicky Welch, Ed Welch, John Zosel,

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. Alliance 2005
7. Fiber Update
8. Fiber Line Extension Policy and Rates
9. Nine Canyon Wind Project - Resolution No. 1221
10. Air Quality Permits
11. Conservation Rebate Program
12. Revised 2001 Budget - Resolution No. 1222
13. 2002 Preliminary Budget - Resolution No. 1223
14. BPA Rates - CRAC
15. Customer Wind Project
16. Public Comment

**1. Approval of Minutes:**

Commissioner Rowland moved to approve the Minutes of the August 21, 2001 regular meeting; Commissioner Bunch seconded. Commissioner Johnson requested clarifications and corrections of the Minutes. He said it was pointed out to him at the last meeting that the usage he discussed occurred in December and not November. He said he had not been provided reports on the effects of conservation, and that the only available information was from the

monthly financial reports. The following paragraph reflects the updated information:

It is his interpretation that all customers used 15% more power in November and residential customers used 15.3% more. All customers used 14% more in December, and residential customers used 18.8% more. In January, Dr. Johnson noted a 6.2% increase for all customers, and a 8.9% increase for residential customers. February reflected a decrease of 1.2% for all and a .4% for residential. March figures showed all customers' use .8% lower and residential customer use .3% higher.

Commissioner Johnson requested that the following sentence be omitted from the Minutes as it was not discussed and is incorrect:

Adding these figures would reflect the interpretation that all customers used 33.20%, or an average of 6.6% more per month. Residential customers' use would have been 42.90% higher, for an average of 8.58% more each month.

Revision Item 9 - Fiber Report (8/7/01 Minutes): It is possible for Telecomm to affect electric rates in this way, but not long-term if fiber revenues are adequate. How the fiber-optic project can affect electric rates will be more thoroughly discussed as an agenda item at a future meeting.

Revision Item 10 - Billed Energy Usage, 2000/2001 (8/7/01 Minutes): Add: "Residential use since February has been down 1.5%; with May down 4.3% and June down 10%."

Commissioner Johnson also requested the following changes to the August 21, 2001 Minutes:

Item 6 - Metering: Add: "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 for several years and PUD staff are familiar with their capabilities. They have diagnostic abilities that are service time and cost savers could save trouble-shooting time. (Strike outs and italic inserts reflect changes following discussion.)

Item 8 - Generation Report: Add: "Wells Dam 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." (Italic insert "about" reflects change following discussion.) Commissioner Johnson suggested that rough drafts of the Minutes be submitted to the Commissioners for corrections, clarifications and additions before a final draft is prepared for

approval at the next meeting. The Manager said that request could be accommodated, except for meetings that are one week apart.

The motion passed approving the Minutes as per the submitted and revised changes.

**2. Approval of Work Orders:**

The following work orders were submitted for approval:

01-0125	Melissa Thomason, Hanson Rd. (Rev. #1)	\$2,662
01-0150	Colville Tribal Services Corp., Pascal Sherman School	\$1,157
01-0162	Bill Schweers, 134 2nd Ave. S., Okanogan	\$1,970
01-0381	District, Cape Labelle	\$1,650
01-0387	District, Appleway St. & Cherry St., Oroville	\$19,700
01-0388	Curtis Watkins, Sidley Lk. & Amanda Rd.	\$2,885
01-0393	Andy Baltrami, 540 Nealy Rd., Oroville	\$3,150
01-0394	District, Appleway St., Oroville	\$4,150
01-0397	Skip Ord, Lots 8 & 9, Div. VII, Nine Mile Ranches	\$4,700
01-0398	District, Ironwood St. & Appleway St., Oroville	\$1,750
01-0400	District, Various	\$2,100
01-0675	District, 166 Gold Creek Loop Rd.	\$6,426
01-0684	District/Harmony House, Hwy. 97, Brewster	\$12,453
01-0692	District/William Lawrence, 374A McFarland Creek Rd.	\$1,450
01-0693	Methow Valley Recycling Center, Airport Rd., Twisp	\$5,244
	<b>Total</b>	<b>\$71,447.00</b>

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

**3. Transfer of Accounts:**

Clark, Jeff & Sharon	\$979.24
Fulcher, Robert	\$ 25.00
Total \$1,004.24	

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

**4. Vouchers:** Vouchers No.'s 67643 through 67682 in the amount of \$163,295.86, No.'s 67683 through 67752 in the amount of \$509,459.70, No.'s 67753 through 67824 in the amount of \$358,549.40, No.'s 67825 through 67858 in the amount of \$177,560.73, and No.'s 67859 through 67935 in the amount of \$293,314.31 were approved for payment from the revenue fund.

**5. Public Comment:** Mike Ferris, Acting Executive Director for the non-profit Okanogan County Communities Development Council (OCCDC), addressed the Board. OCCDC is focused on forest resources and creating job opportunities using materials for manufactured products. He requested the PUD participate in a feasibility study of a wood waste fired co-generation facility. Mr. Ferris' organization has been funded for a first stage feasibility study, and wants to address the quantity of small diameter wood that needs to be removed from the forest. In regards to the feasibility study and supply, Commissioner Rowland asked about the air quality of emissions and cost of distribution. Mr. Ferris said the study is for the development of wood products, etc., and that OCCDC wants the PUD to help look at the questions. Commissioner Rowland encouraged Mr. Ferris to stay in touch with the PUD while OCCDC goes through the feasibility study. Manager Warner said the PUD has a study in progress with Foster Wheeler, who will be providing information on all types of generation potential, specifically in the Methow and other places in the county.

Aileen Jeffries addressed the Board regarding the fires this summer and the value of distributed power. She is interested in a study for distributed power and a demonstration on the capability in the Methow Valley.

Dave Kliegman, Director of Highlands Alliance, said he had a booth at the county fair regarding renewable energy that featured a hydrogen fuel cell. He believes ideal sources for distributed generation are hospitals, homes and schools. He encouraged the PUD to look into the feasibility of using fuel cells. Mr. Kliegman said the Double Tree Hotel in Spokane is participating in a pilot project. He commented that he had missed seeing the Minutes on the District's web site, and that he favored the rotation of meetings.

Vicky Welch of Twisp said she supported in-county generation. She asked about the Foster Wheeler report and if funds were allocated for in-county generation. Manager Warner responded that no funds were allocated other than the study. Ms. Welch also encouraged implementation of conservation rate structures that charge more for increased usage. She inquired about the debt pay back time span and where the funds come from. Manager Warner responded that the pay back schedule was five years commencing April 2003, and that the funds come out of the electric system revenue. Ms. Welch said she supported a program to encourage alternative energy and conservation that would be less expensive than buying from BPA. She also asked how soon to expect the upgrade of the Loup Loup transmission line, which Manager Warner responded that he did not know.

Tom Caton encouraged the posting of the Minutes and the Agenda to the District's web site. He said he was disgusted with the diesel generation project. Assistant Manager Trimble advised that the District sent out a request for quotations to maintain and upgrade the District's web site, with a response deadline of September 14th.

Manager Warner reported that he received a call from Kurt Boesenberg, who could not attend the meeting, Mr. Boesenberg asked that evening meetings be scheduled to allow for more attendance, and suggested that today's meeting be canceled due to national events. Commissioner Johnson agreed that it would be nice if the meetings could start in the late afternoon and go into the evening, but that he did not think the meeting should be canceled due to the national events.

**6. Alliance 2005:** Claudia Smith distributed a pamphlet on Alliance 2005, and introduced the Board Chair, Lael Duncan. Alliance 2005 is comprised of a group of business people appointed by the County Commissioners to develop a strategic plan for the county. Alliance 2005 and Okanogan County Council for Economic Development (OCCED) merged on July 1st, focusing on proactive economic development. Alliance 2005 is seeking fiscal assistance from all businesses, and has received \$50,000 from the County Commissioners. Ms. Duncan requested \$10,000 from the PUD, and said she would make regular reports on the progress of Alliance 2005. The board members of Alliance 2005 in attendance were Lew Blakeney, Arnie Asmussen, John Andrist and Jim Weed. Mr. Blakeney, discussed the small business development center. Mr. Asmussen said that a healthy economy makes for a healthy PUD. Mr. Andrist noted that Alliance 2005 has made a five-year commitment to the process. Mr. Weed is hoping there will be a partnership for economic development between private and other governmental agencies as the county can not do it alone. The Director asked about the procedure for having Alliance 2005's request added to the PUD budget, and asked for a meeting to discuss deliverables. Commissioner Rowland said the only way the utility could participate is if Alliance 2005 could negotiate deliverables. He also discussed the District's financial commitment to its telecommunications system. Commissioner Johnson said he believed Alliance 2005 was a very worthwhile organization, but that the District is spending a lot on infrastructure and at this time he is not in favor of the District committing funds to Alliance 2005 as the utility needs to take care of its present obligations first. Commissioner Bunch said he felt the District's commitment of \$6.5 million to a fiber program is quite a step toward economic development for Okanogan County. At the Director's request, Harlan Warner and Rich Trimble agreed to an additional meeting.

Manager Warner introduced the staff invited to today's commission meeting: Tabetha Hatfield, the Customer Service Representative in Oroville, and Mike Beach, an Electro-Mechanic in Okanogan.

**7. Fiber Update:** Rich Trimble updated the Board on the sequence of the fiber route. The District is currently commissioning Omak to Chief Joe, including Verestar and Brewster nodes as well. With a commitment to Qwest, Pateros has been scheduled for the next phase. Derek Miller said that due to the cost increase, the construction schedule is planned without bringing in construction crews. Limited assignment employees will be used this fall for splicing. Joe

Miller reported that a Nortel engineer was here last week and visited Chief Joe, Verestar, Brewster and Omak. The southern sites are about ready for Nortel's installation. Mr. Trimble reported that beginning November 1st, the District will be leasing four fibers from Douglas County PUD at \$840 per month for the route from Bridgeport to Brewster.

Rich Trimble distributed a NoaNet member assessment report. The board for NoaNet is evaluating the possibility of member assessments for ongoing NoaNet operations and maintenance costs until revenues pick up. He suggested that those numbers be included in the PUD budget.

**8. Fiber Line Extension Policy and Rates:** The discussion on the fiber line extension policy and rates was deferred until September 18th.

**9. Nine Canyon Wind Project - Resolution No. 1221:** Manager Warner reported that the District had previously approved Resolution No. 1217, which authorized participation in the Nine Canyon Wind Project to a maximum of \$65 million. Winston Peterson, who is leading the financing, has advised that \$65 million does not cover the bonding costs now. There has not been any increase in construction cost, however the insurance company, Lloyds of London, is requiring three additional items to be funded by the bond proceeds: 1) interest during construction adds \$5.6 million to the bond requirement; 2) a REPI reserve account must be established to fund the 18-month refund payment delay -- \$2.8 million; and 3) an additional operating reserve account must be established to fund the possibility of the project being terminated prior to commercial operation -- \$3.0 million. With these additions, the total financial amount is now \$72 million, which exceeds the amount previously authorized. The Power Purchase Agreement is not to exceed \$85 million.

Commissioner Johnson expressed dissatisfaction with the project's changing figures, and said he favored looking at options Foster Wheeler might present and Okanogan County investments like the PIP program.

Commissioner Rowland moved to approve Resolution No. 1221, authorizing participation in the Nine Canyon Wind Project to a maximum of \$85 million; Commissioner Bunch seconded; Commission Johnson opposed; motion passed.

**10. Air Quality Permits:** Dan Boettger distributed a letter dated August 27, 2001 to the District from the Department of Ecology regarding the use of ultra low sulfur fuel oil. The District had submitted a Notice of Appeal to the Pollution Control Hearings Board to support the contention that ultra low sulfur fuel was neither available nor practical for the diesel generator project. The DOE issued an order relating to the temporary permits that the PUD is not required to use ultra low sulfur fuel. Mr. Boettger said the District is, however, using fuel that is lower than the standard low. The parties will be entering into an Agreed Order for dismissal of the appeal.

Mr. Boettger reviewed a September 8, 2001 letter from Envirometrics, Inc., the firm hired by the District to assist with the air permit process. Envirometrics has provided a revision of the scope of work for an additional \$7,500 to assist the District in 1) establishing the cost and/or value of mitigation actions required by the air permit; 2) evaluation and selection of alternate fuels, including biodiesel; 3) evaluating the potential for "green tag" credits for purchased biofuel-sourced power; 4) developing procedures to assure compliance; 5) organizing and interpreting the source testing required by the air permit; and 6) assisting with appeals to the PCHB on the fuel requirements in the air permit. Assistance with a Title V Air Operating Permit for the Ophir site will be needed between now and 2002, and will be discussed at a future time.

Commissioner Rowland said he is very interested in the scope of work items 1 and 2; and moved to give the Manager authority to extend the contract with Envirometrics, Inc. within the scope of the letter dated September 8, 2001; Commissioner Bunch seconded; Commissioner Johnson abstained because the issue relates to diesel generators, which he opposes; motion passed.

A proposed Contract with Envirometrics, Inc. in the amount of \$20,000 was distributed for review. The District is required by its air permits for the diesel generation units to provide mitigation for their emissions. Zosel Lumber has a wood-waste burner and is looking at a more efficient way to burn. The District is interested in purchasing some portion of their emission credits for the required mitigation. Mr. Boettger reported that the District has met with the DOE, and they recognize this as a viable option for the District.

Commissioner Johnson said he supports the Zosel Lumber project, but thinks we need a policy for all renewable energy developers to help them with permitting procedures. Manager Warner said the issue of funding renewable projects has been submitted to the Attorney General for clarification, but that we can do this now with Zosel Lumber because we would be purchasing credits required by the DOE. Assistant Manager Trimble said a new installation does not have air credits to sell us.

Attorney Howe advised that page 2, article V, paragraph B. Termination for Convenience of Consultant should be stricken from the Contract because the consultant needs to be obligated to deliver the product the District is contracting for. Attorney Howe also said the dispute resolution procedure on page 3 should be redefined. It was agreed that the Contract would be revised and presented at the September 18th Board meeting.

**11. Conservation Rebate Program:** Debra Peters and Steve Brown reviewed the programs they recommend the District participate in under BPA's Conservation and Renewable Discount (C&RD) program. The projected budget of \$221,568 would include:

Purchasing \$25,000 of weatherization from the Okanogan County Community Action Council, which would give the utility matching credit from state funding;

\$30,000 for commercial lighting, which would include free audits for customers from lighting contractor, Richard Owen of Republic. Credit from BPA would be received on a case-by-case basis for measures implemented;

\$20,000 for compact fluorescent lighting and torchieres. Suggestion is to place on customers billing the statement: "Bring this billing statement to your local PUD office and receive \$3 off the purchase of a compact fluorescent bulb." Develop a torchiere turn-in day at a local landfill or disposal customer, and allow the purchase of a new compact fluorescent torchiere for 10;

\$30,000 for continuing appliance rebate program and adding Energy Star approved air conditioners;

\$20,000 for a \$500 heat pump rebate program;

\$20,000 for a Super Good Cents program that would provide customer rebates of \$600 and salesperson rebates of \$150;

\$76,568 for renewables, which included the Nine Canyon Wind Project.

Staff was asked to review the rebate amounts offered to customers as compared to the C&R credit provided for that measure.

A letter of intent will be sent to BPA regarding participation in the C&RD program. Commissioner Johnson requested that the Conservation Department staff inquire of BPA about the availability of a rebate for solar panels.

The Board recessed for lunch from 12:30 p.m. to 1:45 p.m. Attorney Howe was absent for the afternoon discussion.

**12. Revised 2001 Budget - Resolution No. 1222:** Fred Burke distributed the Revised Code of Washington procedure defining the budget process. Resolution No. 1222 was presented for revising and supplementing the 2001 budget. Under cash receipts, the original number in the sales of electric energy included a 7.5% rate increase. The revised figure reflects the 30% rate increase implemented in April. Interest on investments has increased, and the miscellaneous entry reflects a cash influx from borrowing. Under operations, conservation and advertising have changed because of Board action to increase the conservation budget from \$300,000 to \$1 million. Mr. Burke said he believes a significant amount, however, will remain at year end. Extra market purchases and the buy-back program account for an increase in purchased power. Materials/Supplies - Generation accounts for the temporary diesel

generators and for running the permanent diesel generators through one cycle. The debt service requirements include a \$232,000 interest payment due in October. A handout on Normal Capital Expenditures was reviewed. The headquarters facility was not included in the revised budget. The Methow EIS was also deferred. Materials/Supplies has increased for the payment to Cummins for diesel generators. Contractual services are anticipated to reduce by 90%. The variance is up from \$8.1 million to \$11.5 million.

Commissioner Rowland moved to approve Resolution No. 1222; Commissioner Johnson seconded; motion passed.

**13. 2002 Preliminary Budget - Resolution No. 1223:** Fred Burke presented a Budget Recap and Projections spreadsheet and Resolution No. 1223 for adopting the proposed budget for 2002. The proposed budget is based on the present rates. The budget reflects the loan payments for the diesel generators, new labor positions, and increases in insurance and purchased power. Mr. Burke said the utility would need to begin the accrual process in the year 2002 for the generator payment due in April 2003 in the principal amount of \$2.5 million. The budget shows an \$11.6 million variance.

There was discussion on looking into different financing for the \$10 million loan, and separating the telecommunication system from the electric system by borrowing funds to finance telecommunications.

Tabetha Hatfield commented that rate increases are difficult for the senior citizens, and wondered if a tiered rate schedule would help them. Vicky Welch said the effect of the economic situation needs to be evaluated, and that usage may be down because people can't afford higher rates. She suggested rewarding off-peak usage or penalizing peak-use time. Ms. Welch agreed that the fiber system should be separated from the regular electric system.

The Board requested that two budgets be presented for discussion at the next meeting, with one budget showing fiber separately in a long-range forecast. There will also be further discussion on refinancing the \$10 million loan.

**14. BPA Rates - CRAC:** Manager Warner distributed a copy of a paper produced by the Public Power Council regarding BPA's three Cost Recovery Adjustment Clauses (CRACs): 1) financial-based CRAC; 2) load-based CRAC; and 3) safety-net CRAC .

**15. Customer Wind Project:** Ed Parker's presentation on a customer wind project was deferred to the September 18th meeting.

**16. Public Comment:** Arnie Asmussen said he would like to see another rewards program implemented based on 20% electrical savings. He believes such a program would allow businesses to implement conservation measures

and reduce their loads. Commissioner Johnson said he would support another program and wants to see a Winter Rewards Program. Fred Burke said he would like to see financial reports on the Summer Rewards Program before committing to a second program. Manager Warner said the matter would be discussed at the next meeting.

The next Okanogan PUD Board meeting is scheduled for September 18, 2001.

There being no further business to discuss, the meeting adjourned at 4:15 p.m.