

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan September 18, 2001**

Present: Board: Darrel Bunch, Donald Johnson, James Rowland  
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Julie Pyper  
Other: Michael Howe, Legal Counsel  
Vicky Welch, Anaka Mines, Maeyowa, Vern Donnet, Ray Little

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. Customer Wind Project
7. Fiber Line Extension Policy and Rates
8. Envirometrics Contract
9. 2002 Preliminary Budget
10. Winter Rewards Program
11. Monthly Load Report
12. Public Comment
13. Meetings

**1. Approval of Minutes:**

Commissioner Johnson moved to approve the Minutes of the September 11, 2001 regular meeting as amended; Commissioner Rowland seconded. It was requested that additional comments be included in agenda item 6 - Alliance 2005: Commissioner Rowland - The only way the utility could participate is if Alliance 2005 could negotiate deliverables. Commissioner Johnson - ... the utility needs to take care of its present obligations first. The motion passed.

**2. Approval of Work Orders:**

The following work orders were submitted for approval:

01-0158	District, Ash St. & Central Ave., Omak	\$2,688
01-0161	District, 2nd & Spruce, Okanogan	1,047
01-0164	District, Rhoads Rd S. of Cedars Inn	1,053
01-0402	District, 5th & Fir St., Oroville	1,400
01-0403	District, Old Heavy Pak Warehouse	2,150
01-0405	District, Oroville-Nighthawk Rd.	1,950

01-0407	District, Tonasket 4000 Circuit	1,900
01-0408	District, 5th Ave., Oroville	62,788
01-0409	District, Junction Aeneas Valley & Republic Hwy.	3,689
01-0698	District, Libby Creek Rd.	1,609
01-0699	Nate Dowers, 471D Bill Shaw Rd., Pateros	663
	Total	\$80,937.00

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

### 3. Transfer of Accounts:

There were no accounts submitted for transfer.

### 4. Vouchers:

Vouchers No.'s 67936 through 68070 in the amount of \$238,168.24 were approved for payment from the revenue fund.

### 5. Public Comment:

There was no public comment.

Harlan Warner introduced the staff invited to the Commission meeting: Ed Parker, Customer Service Engineer in Okanogan, and Verle Rowton, Lineman in Oroville.

### 6. Customer Wind Project:

Ed Parker, Customer Service Engineer, distributed a handout on the statistics of the first wind generator connected to the grid on August 23, 2001 at a residence on Omak Mountain Road off of Highway 155. The unit operates at a maximum wind speed of 35 mph, then cuts out so as not to tear up the generator. The system works on a net metering arrangement. If there is less usage in the home than what is being generated, the excess goes onto the grid. A total of 8 kWh were generated by September 13th, with a peak at 11:00 a.m. on September 11th of 3.703 KW. The customer will be receiving credit at the same rate the PUD is charging, which will amount to 29 cents credit on the first net billing.

### 7. Fiber Line Extension Policy and Rates:

Rich Trimble reviewed the proposed rate structure and line extension policy for Ethernet services. There would be 148 Ethernet ports initially available on the District's system, and an estimated 90 miles of fiber build for distribution to customers. To ingress into the system, a customer needs to access by 1) ingress

at an Okanogan PUD node or 2) by ingress external if not physically located at an Okanogan PUD node. The ingress external rates under which the PUD would extend fiber optics to a customer would be based on the customer paying a higher monthly rate or paying a one-time charge per mile. Under Schedule A, the rate is based on contracted bandwidth with a minimum of \$194/month for a three-year term with no initial charge. Under Schedule B, the rate is \$16/month for a one-year contract with a non-recurring charge per mile (\$1,833). In addition, there are internal ingress charges ranging from \$32 to \$155/month and transport charges from \$22 to \$1,471/month. The rate schedule developed September 7th is incorporated by reference. The rates are based on a ten-year payback for the fiber cable and a five-year payback on the electronics. Okanogan PUD will have Ethernet services available in Omak, Okanogan and Brewster in December and in Pateros, Twisp, Tonasket and Oroville by September of next year. The rates proposed provide for fiber-optic line extensions and data rates up to 100 Megabits per second.

There was discussion on the length of the payback schedule. Mr. Trimble said the numbers may be modified as the project evolves.

#### **8. Envirometrics Contract:**

Dan Boettger reported that Mike Ruby, President of Envirometrics, Inc., has agreed to strike from the Contract the cancellation provision entitled, "Termination for Convenience of Consultant." Mr. Ruby requested to speak directly with the District's legal counsel regarding the District's concern with the dispute resolution section of the Contract. Attorney Howe proposed to the Board that mediation and arbitration be eliminated from the three tiers of the Contract's dispute resolution section. He suggested that it would be less expensive to resolve a dispute in the local court. In the alternative, however, he said that possibly arbitration could be made binding with the use of one arbitrator. It was agreed that Attorney Howe would make contact at the break with Mr. Ruby.

The Agreed Order of Dismissal relating to the temporary permits on the use of ultra low sulfur fuel oil has been signed by both attorneys and awaits approval from the Pollution Control Hearings Board. Mr. Boettger said documentation needs to be completed for the final permitting process and a determination made in the next two weeks on SEPA.

Commissioner Johnson felt the District needed a mitigation credit contract before committing to a \$20,000 contract with Envirometrics. Rich Trimble said the District has a Memorandum of Understanding with Zosel Lumber, whereby Zosel Lumber would pay back the \$20,000 if the District fails to obtain a contract. Attorney Howe said he was informed late yesterday that an appeal has been filed to the city of Oroville's process by neighbors to the proposed plant.

Attorney Howe reported on his conversation with Mike Ruby. Mr. Ruby said that resolving a dispute in King County is a very lengthy process. Attorney Howe said that is not the case in Okanogan County, so Mr. Ruby agreed to eliminate mediation and arbitration from the Contract's dispute resolution section.

Commissioner Rowland moved for approval of the Contract with Envirometrics, Inc.; Commissioner Johnson seconded; motion passed. Commissioner Johnson noted that he was approving the Contract with the understanding that if someone else has mitigation credits, that we will help them with their permit. Manager Warner said we would do so if we need mitigation credits, and Mr. Boettger noted that he does not think the utility will need any additional mitigation credits. The utility could, however, offer Information to those making such a request.

## 9. 2002 Preliminary Budget:

Fred Burke recapped from the last meeting that the 2001 budget was revised and the 2002 preliminary budget was filed. The 2002 preliminary budget did not include any further rate adjustments so work is needed between that budget and the final budget. He had been given direction to separate fiber from the electric budgeting process and the long-term forecasting process, and to look at pursuing fiber financing separately. In addition, he was to evaluate the possibility of refinancing the bank note for the Ophir diesel plant. Mr. Burke said he is working on separating out the entities and will be reviewing power resource projections over the next four years.

Mr. Burke distributed a residential rate comparison from Pend Oreille PUD's Director of Finance, John Jordan. The comparison lists the monthly power bill for an average family home (using 3,000 kWh per month) for the electric public utility districts in Washington as well as selected nearby utilities. The existing rates are as of September 13, 2001. The comparison also shows which utilities are using tiered rate structures. The average energy charge was over 6 cents per kWh.

Commissioner Johnson distributed a handout and moved to direct management to evaluate the following rate schedule modifications and their potential effects on the 2002 budget:

### Inverted Tier Rates for Residential Customers

- Retain existing 3.6 cents/kWh for those using less than 3000 kWh/month (about 90% of the customers)
  - Suggest 22% increase to 4.4 cents/kWh for those using more than 3000 kWh/month (10% customers/ 30% of use)
- [Winthrop Co-op +19%>1400 kWh; Chelan +24-31%>1000 kWh]

#### Inverted Tier Rates for General Service Customers

- Retain existing 4.4 cents/kWh first 15,000 kWh/month (90% bills)
- Suggest 22% increase to 4.76 cents/kWh for over 15,000 kWh/month (10% customers/ 73% use)

#### Equalization of 2001 April Rate Increase

- Irrigation--1.65 cents/kWh x 31.5% increase (April) = 2.17 cents/kWh x 22% increase = 2.65 cents/kWh

- Industrial Service--2.19 cents/kWh x 31.5% increase = 2.88 cents/kWh x 22% increase = 3.5 cents/kWh (15% rate increase over 2001 [3.055 cents/kWh])

Discount for Off-Peak Use (7 pm to 7 am) of 22% (Chelan PUD 36%)

voluntary for those investing in "smart" meters

Summer Rates for Residential Customers (May through September) +15%

Holds winter rates (when bills are highest) down, while raising summer rates (when bills are lowest and cost of supplemental power is highest) and increasing contribution of part-time residents (\$10 service charge doesn't cover \$21 estimated cost of service).

The following items were included in the handout, but are not as rate schedule items:

Winter Rewards Program--Save more than 15% from November to March and receive 15% of those bills credited to account in April.

Rebates--To encourage investment in solar water heaters and electrical systems as with tax credits in President's Federal Budget Proposal.

There was discussion on problems associated with the proposal, including timing and staff shortages, and the importance of first determining the revenue needs of the District before considering such a rate schedule modification. The motion was not seconded.

#### 10. Winter Rewards Program:

Manager Warner said there was a request for the Winter Rewards Program to be placed on the agenda. The staff, however, had concerns how such a program might function, as the results of the Summer Rewards Program were not available and there was misunderstanding on how the program works and is applied. A shortage of staff time is also an issue. Concern was expressed that in some cases, customers participating in the Summer Rewards Program qualified for a 10% savings without doing anything. In looking at the Winter Rewards Program with revenue at the highest, there would have to be a weather adjustment and further review into customers' usage so they wouldn't be rewarded for not conserving. Commissioner Johnson was in favor of the utility providing a Winter Rewards Program in mid-October to offer customers that save 15% from November to March to receive 15% of those bills credited to

their account in April. It was also suggested that customers participate by signing up for the program.

Commissioner Johnson moved to ask management to go forward with the Winter Rewards Program and incorporate sign up and weather normalization features. He withdrew his suggestion that the program happen by mid-October. Commissioner Rowland suggested that the utility try a 10% savings program in November, which would include weather normalization and a sign up provision. Commissioner Johnson offered that there could be included a stipulation that a customer may participate in this program or have a conservation loan, but not both. It was agreed that the staff would present the Board with information for further consideration of a Winter Rewards Program by the end of November.

#### **11. Monthly Load Report:**

Larry Felton distributed a 1989 - 2001 load report for the month of January, which shows an average temperature of 27.9°. He uses an average temperature and then normalizes to that for load forecast projections. Mr. Felton said the long-term growth trend has been pretty consistent at about 1.5 - 1.6% per year. The area was growing at 2% until 1999, but since 2000-2001 that number has dropped somewhat.

The Board was interested in comparing this summer's load with the past summer. Mr. Felton said with substation load reports for July and August, we are 5% lower than previous years. It is his opinion that reduction is due to the reduced irrigation load, economic factors and conservation. The Board requested the following information on residential customers: 1) last year's usage from the beginning of the summer savings program to the end; 2) this year's usage for the same period; 3) temperature for the last year period; and 4) temperature for this year period.

#### **12. Public Comment:**

Vicky Welch said she was glad the utility was looking into the cost of conservation programs to see if they are worthwhile. She inquired about rates and a cost comparison on borrowing, as she is highly concerned about debt. Ms. Welch supports looking into a conservation rate schedule, and said she was surprised at the reluctance to look at a rate schedule with no time frame attached.

Vern Donnet inquired as to the amount of the PUD's debt.

Anaka Mines discussed the house bill that mandates all utilities provide an option for alternative energy. She felt it was timely to look into distributed energy and encouraged Okanogan PUD to look into Chelan PUD's SNAP Program,

which gives customers the voluntary option to purchase power generated from renewable sources.

### **13. Meetings:**

Commissioner Johnson plans to attend the PUD Association meeting in Ellensburg on September 21st.

Commissioner Rowland plans to attend the Nespelem Valley Electric Co-op's annual meeting on October 5th.

The next Okanogan PUD Board meeting is scheduled for October 2, 2001.

There being no further business to discuss, the meeting adjourned at 1:00 p.m.