

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan October 2, 2001**

Present: Board: Darrel Bunch, Donald Johnson
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Jim Hensarling, Don Mahlendorf, Joy Schultz, Don Coppock, Dan Boettger, Julie Pyper
Other: Michael Howe, Legal Counsel; Susie Buchert, Chronicle
Public: David Kliegman, Jere Gillespie

President Bunch called the meeting to order at 8:35 a.m.

Summary Agenda

1. Approval of Minutes
2. Approval of Work Orders
3. Transfer of Accounts
4. Vouchers
5. Public Comment
6. Customer Billing Concern - Angie Berntsen
7. Attorney General Opinion - Renewable Loans
8. Slice Contract Amendments
9. Strategic Planning Report
10. Review Financial Forecast
11. Board Meeting Schedule
12. Manager Section Meeting Report
13. Public Comment
14. Meetings

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the September 18, 2001 regular meeting with amendments; Commissioner Bunch seconded.

Commissioner Johnson requested that the following wording be inserted into Item 6 - Customer Wind Project: "The system works on a net billing arrangement..." Following discussion, it was agreed to insert 'net metering' in place of net billing.

Under Item 7 - Fiber Line Extension Policy and Rates, Commissioner Johnson said he felt people would want to know the rates they would be paying, however, Assistant Manager Trimble did not feel Commissioner Johnson's proposed language accurately reflected the rates. It was agreed to incorporate

by reference the rate schedule developed September 7th.

A clarification was made to Item 9 - Preliminary Budget. The language, "Concern was expressed that ..." was added to Item 10 - Winter Rewards Program.

The motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

99-0708	District, Burma Rd. (Rev. #1) - \$5,440	
01-0003	District/DNR, Loomis Fire Camp - \$675	
01-0003	Landon Becker, 1102 Hwy. 20, Tonasket - \$1,420	
01-2&3	Chris Thomson, 180 Benson Creek Rd. - \$876	
01-0122	Central Valley Sports Complex, Rodeo Trail Rd. (Rev. #1) - \$4,180	
01-0154	City of Omak, Sand Flats Rd. - \$3,310	
01-0155	Washington State DOT, Riverside - \$1,612	
01-0156	Rudy Olson, 18 Birch St. N., Omak - \$1,331	
01-0157	Roy Skelton, Okanogan Airport - \$3,533	
01-0159	District, Lumm Rd., Okanogan PUD - \$1,039	
01-0163	District, Omak - \$849	
01-0165	Clinton Little, Barnholt Loop Rd. - \$2,773	
01-0167	Rick Fletcher, 15C Black Rd., Omak - \$609	
01-0168	Hec Selvidge, Robinson St., Malott - \$2,992	
01-0401	District, 5th Ave., Oroville - \$1,700	
01-0404	Ray Dagnon, Eder Rd. - \$1,125	
01-0406	Karen Wood, Lot 1, Division VI, Nine-Mile Ranches - \$2,850	
01-0410	Walter Electric, DNR Fire Camp, Loomis - \$1,770	
01-0412	Charter Communications, Ironwood & Appleway - \$627	
01-0413	Brian Timm, Thayer Rd. - \$2,350	
01-0414	Karen Schmidt, 130 Aeneas Valley Rd. - \$2,350	
01-0416	Mike Nelson, 482 Pontiac Ridge Rd., Chesaw - \$4,276	
01-0419	Carl & Susan Kovalik, Lot 6, Division III, Nine-Mile Ranches - \$3,275	
01-0695	Washington State DOT, Hwy. 153 & Black Canyon Rd. - \$1,605	
01-0700	Dallas Darwood, 113 Lincoln St., Twisp - \$1,047	
01-0701	City of Brewster - \$1,159	
01-0702	Rick Aragon, Hwy. 153 - \$569	
01-0703	Margie Freels, 1st St., Brewster - \$606	
01-0704	Dan Smith, Hwy. 97 - \$1,598	
01-0705	Mike Fall, Hwy. - \$174,074	
01-0709	District, 200 Wagner St., Brewster - \$1,312	Total
	\$62,932.00	

Commissioner Johnson moved to approve the work orders; Commissioner Bunch seconded.

Attorney Howe noted that Work Order No. 01-0165 should to be revised to state that the customer is providing the labor, as the District can not legally state that labor is being donated.

The motion passed.

3. Transfer of Accounts: There were no accounts submitted for transfer.

4. Vouchers: Vouchers No.'s 68071 through 68106 in the amount of \$163,951.75, No.'s 68107 through 68178 in the amount of \$367,814.96, and No.'s 68179 through 68260 in the amount of \$902,820.44 were approved for payment from the revenue fund.

5. Public Comment:

Tom Berschauer expressed concern with the curtailment program being included as a conservation program. He said he does not want to play down conservation, but his concern is that conservation could exceed the point that we might not have enough power available this winter. He asked if the utility had acquired any other additional power, and what percentage of usage would need to be reduced to allow for enough power this winter. Mr. Berschauer said he is increasingly concerned over the relationship with Board members and articles in the newspapers. He referred to the September 30th Wenatchee World article, wherein Commissioner Johnson said he voted against the generators and still thinks it was a bad decision. Mr. Berschauer

read excerpts from the February 27, 2001 Minutes, wherein Commissioner Johnson seconded the motion to buy or lease generators. Commissioner Johnson said he thought he was voting on proceeding to investigate leasing or purchasing and that a report would be given at the next meeting. Mr. Berschauer asked if the District is going to be able to use the generators after December 31st this year. He is concerned with the State's ability to produce enough power without the PUD using the generators. He was told that the District has a permit through December 31 and has applied for a permanent permit.

Susie Buchert of the Chronicle asked for information on load comparisons.

Jere Gillespie said she was concerned with the rate increase and the effect on businesses, including schools and hospitals. She encouraged the PUD to have a display of light bulbs at stores. Ms. Gillespie said she was in favor of landscaping with drought resistant plants. She is also interested in rooftop solar water heaters, and wants to be able to purchase a solar system from the PUD.

Dave Kliegman encouraged the PUD to embrace conservation and adopt fiscal and philosophical positions that reflect the desire to conserve electricity.

Harlan Warner introduced the staff invited to the Commission meeting: Jim Hensarling, a Distribution Engineer in Okanogan, and Don Mahlendorf, a Lineman in Okanogan.

6. Customer Billing Concern - Angie Berntsen:

Angie Berntsen addressed the Board regarding an invoice that was transferred to her electric account. Don Coppock, the District's Accountant, also reviewed details of the dispute.

Ms. Berntsen and her grandparents had mobile homes installed in north Omak six years ago. Approximately one year ago, the City of Omak found a hole in a sewer pipe near Ms. Berntsen's property. The City contacted the PUD for assistance because the City thought the PUD may have pushed conduit through the sewer line when the primary wire was installed to the mobile homes. After further review, it was determined that the sewer line was damaged by a contractor hired by Ms. Berntsen when service was originally extended. Ms. Berntsen feels the invoice is not her responsibility because the problem did not occur on her property. She asked how it could be proven that the damage was done at the time the conduit was put in place. She spoke with the contractor, who said the job passed inspection and there was no possible way he caused the damage. According to the City, whoever put in the conduit would have caused the damage. Attorney Howe pointed out that Ms. Berntsen would have recourse against the contractor if there is evidence the job was not done properly. Ms. Berntsen claimed that if it could not be proven that the contractor did the damage, then how can she be responsible for the bill.

Commissioner Johnson felt the District would be money ahead if the District wrote off the \$339.08 invoice and terminated the matter rather than going to court, but that he would listen to other points of view. Commissioner Bunch was concerned with a precedence and policy the District would be adopting by writing off the invoice. Mr. Coppock explained that some things were different with this matter regarding precedence. The District was a third or fourth party and was not damaged. The City called the District regarding a safety issue, which is different than a normal underground damage the District might be involved in. Commissioner Bunch said he agreed with Commissioner Johnson to write off the invoice because of the circumstances being different, with the City asking the PUD to come out to the property.

7. Attorney General Opinion - Renewable Loans:

Harlan Warner reported that an Opinion was received from the Attorney General's office in response to a request by Senator Morton's office relating to alternate energy sources and whether local PUDs can provide loans for the installation of such. The Attorney General's office looked at the following specific item requests: pellet stoves; solar systems; wind turbines; geothermal systems; and mini-hydroelectric generating systems. The Opinion tracked with the concerns the PUD's attorney raised. The Opinion confirms that the PUD

cannot finance any equipment that would result in a change from one energy source to another.

The Board discussed seeking legislation through the PUD Association that would permit loans for renewable sources. As a PUD Association Board member, Commissioner Johnson will follow up on the matter.

8. Slice Contract Amendments:

Larry Felton reported that the District signed addendums to the Slice Contract on September 28th to allow the scheduling of Slice to begin on October 1st. Mr. Felton said he is on a Slice Contract Implementation Group that oversees changes to contracts if agreed to by a majority of the Slice participants, including BPA. Commissioner Johnson asked if the District can purchase futures for February at the present time. Mr. Felton said that until such time as there is an upward pressure, prices still remain low (\$18/MWH) and we have the diesel generators (\$140/MWH) to protect us from high prices. He agreed to look into whether it would be prudent for the District to purchase power later this fall for delivery in February.

9. Strategic Planning Report:

Rich Trimble presented a written report on the internal strategic planning process completed over the past year for Board review and later discussion on specific issues.

10. Review Financial Forecast:

Fred Burke presented a revised financial forecast based on Board direction last month to evaluate the effects of converting the District's existing \$10 million loan to long-term debt and issuing debt for telecommunications. The analysis shows a 30% rate increase is required to provide appropriate cash reserves over the five-year planning period. A separate telecommunications financial analysis shows the effect of additional costs for Ethernet build out with an expected deficit at the end of the five-year projection. Mr. Burke also presented a survey of PUDs offering combinations of discounts for low-income, senior citizen and disabled. Okanogan PUD's increase from BPA is 57%.

Alan Dashen, a financial adviser, will attend the October 16th Board meeting at the District's invitation to discuss the process of selling tax-exempt and taxable bonds. The Board directed the staff to consider the effect of lowering cash reserves to \$8 million in 2003.

11. Board Meeting Schedule:

Board meetings are currently scheduled for October 16th and 30th. A Board meeting to hear the Foster-Wheeler presentation was scheduled for November 13th in Twisp. The staff will reserve the Methow Community Center for the meeting.

12. Manager Section Meeting Report:

Manager Warner reported on the PUD Managers' Section meeting he attended in Ellensburg on September 19th.

Bill Dobbins, Don Godard and Stu Trefry met with the State Auditor's office regarding telecommunication activities. The Auditor's staff said they are generally supportive of PUD telecommunication activities, and would begin training their field staff to be able to properly audit telecommunication activities.

The Pacific PUD lawsuit with the Washington Independent Telephone Association (WITA) was discussed. Pacific will be meeting with the WITA to negotiate a possible settlement. Verizon is no longer a member of WITA.

The State Association is scheduled to meet with the Department of Revenue to discuss scheduling a public utility tax and in-lieu tax. The Department of Revenue was asked to respond, but the Association is not expecting the matter to go anywhere.

Several utilities talked about rate increases.

Mark Anderson of OTED will be meeting with all utilities to discuss developing an energy curtailment plan for the State of Washington issued by Governor Locke. The plan would identify specific issues and actions: 1) utilities making plans for their facilities and 2) developing a statewide curtailment plan.

The Governor's emergency order has been extended to October 22nd. The Governor was not going to implement emergency powers until utilities began the process of rolling blackouts. The Managers' Section felt the Governor needed to take action and declare an emergency prior to rolling blackouts.

BPA has a \$2 million request for additional borrowing from the Corp and Bureau for federal hydro projects since the Corp and Bureau stopped renewables and replacements in 1992.

13. Public Comment:

No public comments were made. Commissioner Johnson distributed a letter from a Winthrop resident concerned about a rate increase. The customer is on a fixed income due to a disability.

14. Meetings:

Commissioner Johnson reported on the highlights from the PUD Association Board meeting in Ellensburg on September 21st.

The first order of business was the question of moving the Seattle offices to Olympia and the financing of the potential building project. The WPUDA Board of Directors has voted to consolidate offices in Olympia; they have not voted on whether to build or to lease. Commissioner Johnson received on October 1st the project's projected assessment of \$1.5 to \$2.5 million. Okanogan PUD's assessment would be a one-time assessment of \$62,000 or a two-time assessment of \$31,000 a year for two years. Commissioner Johnson needs to convey Okanogan PUD's position to the WPUDA Board on October 19th. The PUD Board will vote on the matter at the October 16th meeting.

The WPUDA also wants to know what plans have been made by Washington utilities if curtailment of electricity is required this winter.

A resolution opposing private takeover of public power hydroelectric projects was withdrawn at the request of Grant County PUD.

Energy Northwest is tightening security at the Columbia Generation Site. The first draft of the WNP #1 study has gone to a Review Committee.

NoaNet's financial position seems to be improving.

BPA's goal is to reduce rates in April.

In addition to the October 19th PUD Association Board meeting, Commissioner Johnson is also scheduled to attend a Residential Energy Assistance Challenge meeting in Everett on October 23rd.

Commissioner Bunch had no meetings to report.

The next Okanogan PUD Board meeting is scheduled for October 16, 2001.

There being no further business to discuss, the meeting adjourned at 12:45 p.m.