

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Twisp November 13, 2001**

Present:

Board: Darrel Bunch, Donald Johnson, James Rowland
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Derek Miller, Dan Boettger, Don Brantner, Don Clutter, Linda Heaton, Julie Pyper
Other: Michael Howe, Legal Counsel; Dick McComish & Robert Hertig - ECI
Ellen Hall - Foster Wheeler; Harry Hall - S&H Consulting; Susie Buchert - The Chronicle; Sue Koptonak, Town of Twisp
Public: Maeyowa, Nim Titcomb, Kem & Elaine Westman, Ray Ellis, Shirley Schade, Aileen Jeffries, Val & George Sukovaty, Mike Warfield, Larah Waters, Janie Lewis, Bob Elk Belgard, Kurt Boesenberg, Anaka Mines, Jeff Ensing, Lincoln Post, Theresa Casagram, Kathleen Hirschstein, Teresa Allen, Vicky Welch, George Wooten, Ed Welch, Isabelle Spohn, Roberta Holeman, Susan Crampton, Bruce Morrison, Becky Harwood, Mike Ferris, Eric Portmann, John Hanron, Mary Thompson, Craig Edwards, Jay Zaperia, M. Price, Richard Murray, Carl Rapp, Robin Baire, James Donaldson, Michelle Mondot, Verne Donnet, Doug Wilcox, Ed Gish

President Bunch called the meeting to order at 4:05 p.m.

Commissioner Johnson introduced Sue Koptonak, Twisp City Councilwoman and Mayor Protem. Ms. Koptonak thanked the PUD for scheduling a meeting in Twisp and making it easier for the citizens to participate in the public process.

Summary Agenda

1. Approval of Minutes
2. Approval of Work Orders
3. Transfer of Accounts
4. Vouchers
5. Public Comment
6. Foster Wheeler Report - Ellen Hall
7. Foster Wheeler Contract Amendment

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the October 30, 2001 regular meeting with amendments; Commissioner Rowland seconded.

8. Community Action Assistance Programs: Commissioner Johnson requested that the following information be included: The 2001 budget provided assistance for 887 county households; the proposed 2002 budget will be reduced and will provide for no more than 550 to 600 households. Since budget allocations have not yet been made, no assistance will be available in November.

In addition, Commissioner Johnson requested that excerpts from his REACH report be included in paragraph 8 (previously listed in paragraph 14, Meetings).

9. Budget Hearing for 2002 Final Budget: Commissioner Johnson requested that the following information be included: Revenue from sales of electricity increased by \$4 million as a result of rate increases. Loans were increased by \$8.95 million to cover the telecom (fiber-optic) project. Funds for generation (diesel) were reduced by \$475,000. Debt service requirements were increased by \$1.076 million (\$476,000 for principal and \$600,000 for interest). Total expenditures were increased by \$500,000.

10. C&RD Rebate Program: Commissioner Johnson requested that rebate amounts be listed for the qualifying investments.

The motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

99-0737	District, Pateros to Brewster Intertie	43,982.00
00-0266	Snohomish County PUD, Everett	17,674.52
01-0064	Maurice Goodall, Jaquish Rd., Omak	3,490.00
01-0138	Tacoma Land Co., Twin Creeks Ranches, Tunk Ck Rd.	14,040.00
01-0146	David Gonsalez, Tunk Creek Rd., Riverside	8,796.00
01-0157	Roy Skelton, Okanogan Airport (Rev. #2)	3,954.00
01-0172	Wells/Rector, Breshears Rd.	1,981.00
01-0188	Okanogan Irrigation Dist, Smith Rd., Omak	3,529.00
01-0193	District, Jaquish Rd., Omak	2,819.00
01-0194	District, Tyee & 3rd St., Okanogan	552.00
01-0197	District, W. Parkway, Aston Estates, Omak	3,472.00
01-0437	City of Oroville, Main St.	7,450.00
01-0438	Samuel Denmon, Molson Summit	1,100.00
01-0439	Neil Carrier, off Talkire Lake Rd.	8,150.00
01-0440	Michael Roberts, 2nd & Western	700.00
01-0441	District, Henry Wilson hayfield	1,500.00
01-0641	Schneider, Roth, Port, Elbow Coulee Rd., Twisp (Rev #1)	14,805.00
01-0702	Rick Aragon, Hwy. 153 (Rev. #1)	569.00

01-0706	District, Libby Creek Rd.	42,700.00
01-0720	Baynard Buzzard, 2932B Hwy. 153, Twisp (Rev. #1)	4,498.00
01-0724	Tim Simms, 13 Schachtscheider Rd., Twisp (Rev. #1)	1,207.00
01-0726	Chris Thomson, 180 Benson Creek Rd.	1,620.00
01-0727	Chris Thomson, Benson Creek Rd.	1,851.00
01-0728	Dori Batson, Hwy. 153, Methow	4,512.00
01-0729	District (Harmony Heights), Hwy. 97, Brewster	1,125.00
01-0730	District, Methow Valley Hwy., Twisp	959.00
01-0732	Methow Salmon Recovery Foundation, Twisp River Rd.	2,686.00
	TOTAL	\$199,721.52

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

3. Transfer of Accounts:

Adolph, Shawna L.	197.60
Aeneas Vly Lbr -Tfr closing bill to Supply, c/o McFarland res. acct)	106.10
Aldrich, Jess W.	14.67
Alexander, Brandon	650.94
Alvarez, Graciela	135.66
Apodaca, Maria	156.61
Barnett, Gene	125.87
Behrens, Eric	119.10
Bell's Super Market	2,858.61
Best, Dave	18.26
Boone, Violet	79.77
Bordua, Glenn	33.91
Bradshaw, Delores - Estate	464.40
Brison, Arland	132.53
Brown, Ken	647.56
Brown, Rick D.	403.58
Bruce, Garret	369.90
Buenaventura, Donato	145.97
Burkhart, Jack R.	187.96
Callesen, Chris	13.52
Carrillo, Ismael	14.23
Carrillo, Ismael	10.13
Cline, LeeAnn	2.32
Cline, LeeAnn	172.00
Cline, LeeAnn	8.49
Clough, Nancy	105.65
Coffman, Elona	303.38
Comeslast, Yvonne	226.90
Conrad, Victor Lee	299.14
Cooper, Hope	62.76
Cooper, Shannon	252.26
Corriel, Cheryl A.	140.24
Darrow, Catherine Lynn	137.35

Denney, Ben - Estate	80.11
Dexter, James F.	55.75
Dunlap, Daysha	125.49
Edwards, Timothy	204.57
Eiffert, Jerry	55.52
Enos, David	337.67
Fadden, Dallan	227.47
Fogelberg, Todd	199.27
Fonseca-Perez, Ipolito	232.17
Fonseca-Perez, Ipolito	108.21
Fox, Jeannette	225.62
Frazier, Wilford M. Sr. - Estate	61.71
Fridella, Leonard	83.66
Fuentez, Ramona	429.93
Garcia, Jose M.	108.53
Gardia, Juan	111.10
Garcia, Terry	314.15
Gee, Jon	223.92
Gonzalez, Gonzalo	139.41
Gunshows, Dee A.	302.20
Hall-Lecount, Dorene	110.77
Ham, Wayne	198.27
Holley, Elsie	223.98
Irey, Tiffany	94.85
Isakson, David H.	202.83
Isensee, Mike S.	86.24
Johnson, Melvin	80.44
Kendrick, Lori M.	361.24
Kenealy, Diana	27.92
Koeneman, Wanda K.	290.26
Le, Tien	283.63
Lee, Tisha R.	190.63
Lerner, Noel	75.80
Lerner, Noel	726.12
Lewis, Steve	131.67
Litts, David Tate	395.70
Lucei, Naomee	5.02
Marchand, Dorothy C.	197.45
Marchand, Tony	347.43
Marchand, Tony	79.44
Marchant, William	94.69
Marcille, Robert	299.61
Martinez, Pamela - Estate	2.46
McCraigie, Rick	133.02
Melson, Ruby	206.94
Miller, MaryAnn	298.29
Miner, Charles	530.85
Moore, Carol & Michael-Cons. Loan	1,214.10
Morgan, William	427.85
Morris, David	182.80
Neal, Richard & Deanna	14.92
Nilles, Robert A.	32.83

Peltzer, Chris	11.46
Pfeifer, Johnathon	5.57
Plonowski, Christine	56.28
Provstgaard, Bryan	267.52
Pub c/o Judd & Vicki Riddell	482.80
Ramirez, Camerino B.	175.15
Randall, Nina L.	136.92
Raschka, Eva Theresa	246.61
Reynaud, Robert	388.15
Richmond, Lyle G.	195.33
Riddell, Judd & Vicki	166.82
Rock, David A.	119.86
Rogers, Roberta	102.52
Roseland, Robert	42.78
Salmon Creek Inn	143.73
Scroggins, Jack	241.22
Shafer, Don	100.15
Shew, Mike	272.56
Shoppa, Misty F.	81.33
Short, Sean	38.98
Silvesan Valdes, Nancy	216.40
Skeen, Barbara A.-Cons. Loan	2,123.91
Slemp, Sheryl	11.29
Smith, Darrell	124.30
Smith, Larry	295.27
Smith, Sabrena	320.76
Soto-Larios, Jose	63.04
Sphar, Dana M.	370.86
St. Peter, Krystal	314.55
St. Peter, Randy	66.34
Stanley, Martin K.	81.47
Stark, John	246.18
Stormy River Fruit Grower	268.06
Stuhlmiller, Danetta	78.55
Sutton, Robert Gene	93.58
Troutman, Alicia	233.80
Utigard, Norman C.	97.16
Utigard, Norman C.	57.10
Valdez, Eva Marie	122.28
Vallee, Rose	166.59
Weekly, Trish	86.19
Wells, Anit & Robert-Cons. Loan	542.87
West, Helena K.	41.00
Whitmire, Matt	72.39
Wilson, Scott	194.04
Wohlford, Keith	243.15
Wolf Canyon Ranch Inc.	79.81
Worthington, Della	8.93
Zimmerman, Rick	72.77
Zing-Barragan, Jesus	20.11
TOTAL	\$29,760.37

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

4. Vouchers:

Vouchers No.'s 68689 through 68721 in the amount of \$172,530.55, No.'s 68722 through 68813 in the amount of \$389,726.31, and No.'s 68814 through 68934 in the amount of \$351,832.56 were approved for payment from the revenue fund.

5. Public Comment:

Isabelle Spohn requested that the comment period on the District's issuance of a Notice of Determination of Nonsignificance for the diesel facility be extended from November 14, 2001, as many Methow area residents had not been aware until recently of the notice. There was also a request to make copies of the notice available to individuals and libraries. Assistant Manager Rich Trimble had copies of the notice available for distribution at the meeting. Area resident, Kathleen Hirschstein, agreed to make copies available to the Twisp library.

Commissioner Rowland moved to extend the review period 14 days (from November 13, 2001 to November 26, 2001) on the Notice of Determination of Nonsignificance for the Ophir substation generation facility, and for the staff to advertise the extended comment period and prepare a press release;
Commissioner Johnson seconded; motion passed.

Joe (last name unavailable) thanked the PUD for meeting in Twisp and requested periodical Methow area meetings. He was concerned with the lack of profitability from operations and hoped for a more innovative display of financial management from the PUD. He favored pay incentives and cutting the higher salaries.

Kathleen Hirschstein asked why the rates had gone up 50% in six months when the cost of power is as low as last year or lower than in past years. She asked if construction of the new transmission line would be paid for by another rate increase. Manager Warner addressed the budgeting process, and the drought and marketing conditions that have affected all utilities this year. Fred Burke added that rates have to be set so they are adequate to cover operation costs and debt service. Ms. Hirschstein also asked if the PUD was going to adopt inverted tiered rates, and Commissioner Johnson commented that the commissioners had agreed to address that issue later this year or early next year.

Kurt Boesenberg thanked the PUD for scheduling the evening meeting in Twisp, and asked that evening meetings be rotated once a month.

Maeyowa asked if Okanogan PUD would be giving rebates to its customers. She was told there would be no rebates. There was discussion on the District's expense this year for purchased power.

Vern Donnet inquired about fiber and diesel financing. Fred Burke responded that the diesels are financed by \$10 million borrowing and \$3 million reduction in cash reserves. Fiber will be financed by borrowing and will be paid off by fiber revenues. Rich Trimble responded to Mr. Donnet's questions regarding the diesel plant. He advised that the District is continuing with the permitting process, and the staff is not prepared to do anything to make the plant non-functional but is in the process of looking at liquidating.

Ed Welch asked that Methow area residents be considered an asset to the PUD as an advisory group, with an emphasis on the need for conservative financial management. He would like the District to consider distributed generation.

Doug Wilcox commented that he was interested in the PUD's response to renewable energy and solar wind biomass. The staff and commissioners addressed those issues.

Val Sukovaty asked for an explanation of the resolution giving the manager authority in the energy crisis. The Manager responded that the emergency resolution gave the staff authority for one event to make purchases to meet the energy crisis without going through the bidding process, which would have caused substantial delays in getting the diesel generators operating.

Ed Gish inquired about the District's diesel permit. Maeyowa asked if the generators were meeting the emission standards. Dan Boettger responded to their questions.

Teresa Allen submitted a letter on ways the PUD could make operations economically sustainable.

Aileen Jeffries submitted a letter regarding the Foster Wheeler report. She believes the PUD could temporarily use some of the diesel generators at the substation in Twisp to power the Methow Valley, and rebuild the whole transmission line cold.

6. Foster Wheeler Report - Ellen Hall:

Harlan Warner introduced Ellen Hall of Foster Wheeler Environmental Corporation as the project manager the District contracted with to study alternatives of constructing the transmission line in the Methow Valley. Ms. Hall introduced Dick McComish and Robert Hertig of Electrical Consultants, Inc., who handled the system studies, and Harry Hall of S&H Consulting, who evaluated the generating alternatives to the transmission line and the cost

analysis of the alternatives. The Executive Summary of the evaluation was distributed to the audience.

The District's demand forecasts as well as population and electric consumption forecasts were considered in the study. While the population has been growing at 1.4% per year, energy consumption has increased at 2.4% annually. ECI conducted power flow studies of the area problems on the system in terms of voltage drops and outages. The weaknesses of the current system were summarized as 1) Methow transmission system reliability and voltage; 2) Oroville voltage level; and 3) Methow Valley distribution system.

Four overall approaches to resolving the system problems were evaluated, including conservation, generation, distribution and transmission.

Ellen Hall said that it is very difficult to acquire enough conservation to solve problem areas. For conservation alone to address the problems, there would have to be enough conservation to more than make up for load growth. Building the new transmission line or upgrading the Loup Loup line would save more in conservation than any other measures one would normally think of. The analysis concluded that conservation could serve as part of any solution, but would not solve any problems on its own.

Harry Hall reviewed generation alternatives, with all being more expensive than the transmission line alternative. The technologies that were reviewed included steam electric (biomass or coal fired), reciprocating engines (oil or natural gas fired), combustion turbine (including combined cycle), wind, solar, fuel cells, geothermal and distributed generation. The evaluation concluded that biomass steam electric generation and oil fired combustion turbines or reciprocating engines are suitable for inclusion in the District's system, and could resolve the problems of the Methow transmission system reliability and voltage and the Oroville transmission voltage, but generation cannot resolve the Methow Valley distribution problem.

Two distribution system improvement programs were reviewed. The first program, which would include a new substation, would work if combined with a Twisp-Pateros transmission line that would resolve the transmission system problems. The second program, which would include a major rebuild of the distribution system, would work if combined with alternatives that involve new generation and/or a rebuild of the Loup Loup transmission line to resolve the transmission problems.

One transmission system option would be to build a new transmission line between the Twisp and Pateros substations. Another option would be to rebuild the existing Loup Loup transmission line in the existing right-of-way with a larger conductor. The Twisp-Pateros transmission line option would improve Methow system reliability and voltage levels and Oroville voltage levels, and

would support a new substation that could improve voltage levels on the Methow Valley distribution system. Rebuilding the Loup Loup line would improve the Methow transmission voltage levels only.

Foster Wheeler developed five alternatives for addressing the system problems: 1) rebuild Loup Loup with biomass at Oroville and rebuild distribution (net present value of cost per kWh of \$0.0825); 2) peaking generation with rebuilding distribution (\$0.0776); 3) rebuild Loup Loup with peaking and rebuild distribution (\$0.0790); 4) Twisp-Pateros transmission line with new substation and improve distribution (\$0.0385); 5) rebuild Loup Loup line with a parallel line, rebuild distribution and new capacitor bank at Oroville (\$0.0437).

Foster Wheeler recommended the District pursue alternative 4: building the Twisp-Pateros transmission line, with associated substation and distribution system improvements. The primary advantages to this alternative are cost and the simplicity of the solution. The primary drawbacks to this alternative are the potential environmental impacts. The next best is alternative 5, rebuilding the Loup Loup line with a parallel line plus rebuilding the Methow Valley distribution system and adding capacitors for Oroville. The primary drawback to this alternative is that it has increased costs while providing a less reliable and poorer quality alternative. The environmental concerns of alternative 5 would be the same in magnitude as those of alternative 4, the Twisp-Pateros alternative.

The Board made no decisions following the presentation.

7. Foster Wheeler Contract Amendment:

The Foster Wheeler contract modifications were discussed. Provided for review at the last meeting was Addendum 4 in the amount of \$3,863, which covers some additional work that was not foreseen when Foster Wheeler finalized their scope of work in June 2001. Addendum 5 in the amount of \$2,990 is to cover additional work by Foster Wheeler and S&H Consulting that included revisions to the draft report associated with revised cost calculations provided by ECI for the transmission line alternatives, which affected the evaluation and conclusions sections of the report.

Commissioner Rowland moved to approve Addendum 4 in the amount of \$3,863; Commissioner Johnson seconded; motion passed.

Commissioner Rowland moved to approve Addendum 5 in the amount of \$2,990; Commissioner Bunch seconded. Commissioner Johnson questioned the additional cost as Addendums 3, 4 and 5 added \$22,000 to the original contract of \$26,000. Manager Warner said that the original contract was expanded under Addendum 3 to include work originally assigned to the District, and that Foster Wheeler did extra work due to revisions of information the District provided

and last minute revised cost estimates provided by ECI. The motion passed.

The next Okanogan PUD Board meeting is scheduled for November 27, 2001.

There being no further business to discuss, the meeting adjourned at 7:56 p.m.