

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan January 8, 2002**

**Present:** Board: Darrel Bunch, Donald Johnson, James Rowland  
**Staff:** Harlan Warner, Richard Trimble, Frederick Burke, Janet Crossland,  
 Don Coppock, Larry Felton, Joe Miller, Dan Boettger, Kyle Nelson, Julie Pyper  
**Other:** Michael Howe, Legal Counsel; Alan Dashen via telephone; Ellen Hall via  
 telephone  
 Susie Buchert, The Chronicle  
**Public:** Pete Moyer, Bob Moyer

President Bunch called the meeting to order at 8:30 a.m.

**Summary Agenda**

1. Approval of Minutes
2. Approval of Work Orders
3. Approval of Vouchers
4. Transfer of Accounts
5. Public Comment
6. Customer Usage Report
7. Capital Financing Schedule/Financial Advisor
8. Methow Service EIS
9. PURMS Self Insurance Agreement - Resolution No. 1230
10. Envirometrics Contract Extension
11. Fiber System Report
12. Northwest Irrigation Utilities Dues
13. Nine Canyon Wind Project Report
14. Meetings
15. Executive Session

**1. Approval of Minutes:**

Commissioner Johnson moved to approve the Minutes of the December 11, 2001 regular meeting; Commissioner Rowland seconded; motion passed.

**2. Approval of Work Orders:**

The following work orders were submitted for approval:

01-2&3	District/John Stedtfeld, Ellisforde	575
01-0153	District, Old Highway 97 N. of Malott	7,075
01-0190	District, Town of Malott North to Hanson Rd.	29,216

01-0203	Charter Communications	993
01-0205	District, Riverside Dr., Omak	581
01-0206	District, S. of Malott - W. of Hwy. 97	1,354
01-0207	Jim Peavey, Knox Rd. off Tunk Creek Rd.	7,550
01-0209	District, E. River Rd., Omak	735
01-0445	Don Dagnon, Nighthawk	1,525
01-0449	District, Hwy. 97 N. of Tonasket	600
01-0451	US Gen Svc Admin, Customs/Revenue Canada, Intnt'l Border	24,055
01-0453	Ken Holberg, 16 Aspen Way off Cape Labelle	6,900
01-0459	District, Sw. #1171 - Lyman Lake Rd.	1,200
01-0460	Skip McKensie, Lot 16, Tamarak Lane	2,550
01-0745	District, Regulator #4085 - Hwy. 153	1,173
	<b>Total</b>	<b>\$86,082.00</b>

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

### 3. Approval of Vouchers:

Vouchers No.'s 69425 through 69458 in the amount of \$182,221.66, No.'s 69459 through 69537 in the amount of \$148,205.44, No.'s 69538 through 69649 in the amount of \$1,833,110.25, No.'s 69650 through 69682 in the amount of \$172,376.20, No.'s 69683 through 69701 in the amount of \$102,609.32, and No.'s 69702 through 69776 in the amount of \$129,351.75 were approved for payment from the revenue fund.

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

### 4. Transfer of Accounts:

There were no accounts submitted for transfer.

### 5. Public Comment:

Pete Moyer and Bob Moyer asked questions about the rate increase and diesel generators.

Harlan Warner introduced the staff invited to today's Commission meeting: Dan Boettger, a Distribution Engineer, and Kyle Nelson, an Okanogan Lineman.

### 6. Customer Usage Report:

In response to the Board's request for additional information on the average monthly usage by dwelling type, Fred Burke presented 2000-2001 data on the billed months, percentage of billed months, billed kilowatt-hours and percentage of billed kilowatt-hours for apartments, cabins, duplexes, single family dwellings, single wide mobiles, double wide mobiles and triple wide mobiles.

Mr. Burke also presented a chart on the comparison of rate increase impacts of residential class customers with varying usage patterns. Because the increase was applied strictly to the energy component, the increase is not equal for all ratepayers.

There was discussion on establishing an inverted rate that would allow ratepayers with lower/average usage to pay less per kWh than those who use twice the average, and considering a handicap, senior and low-income discount. It was felt that the basic charge should be higher for cabin-type usage and seasonals, which would require a separate rate. The staff will develop a rate with the 1500 - 3000 block increased 15% and the 3000 and above block increased 45%.

## **7. Capital Financing Schedule/Financial Advisor:**

Based on the need to acquire financing in early 2002, the District staff met with financial advisor Alan Dashen on January 3, 2002. Mr. Dashen provided the District with financing plans for electric system revenue bonding and an active schedule for sale of the bonds, with closing scheduled for March 14, 2002. Nancy Neraas of Preston Gates & Ellis would be the bond counsel.

The staff recommended borrowing \$24,490,000 tax-exempt funds over a 20-year period, which would include \$10 million for a conversion of the existing short-term debt for diesel generators, \$8 million for the Methow transmission line, \$6 million for capital projects planned for the next three years, and \$490,000 for cost of issuance. There was discussion on a 10% bond reserve and increasing the capital project borrowing to \$7.75 million. The District must maintain a 10% bond reserve or purchase a surety policy, the cost of which is approximately \$50,000 for a one-time payment. The bond issuance also includes a \$5 or \$6 million call provision.

The Manager said there would be a \$126,000 penalty to pay off the Bank of America note now, and that Bank of America would reduce the penalty by \$25,000 if chosen as the underwriter. Mr. Dashen said that Bank of America has since offered a very competitive fee of .514% and \$25,000 off the fee. The other firms in the region that offer underwriting services are Paine Webber and Salomon Smith Barney.

Commissioner Rowland moved to authorize a bond issue financed over 20 years along the guidelines presented, with information on the actual amount of the bond to be provided to the Board for an additional vote. In addition, the staff has authority to select Bank of America as the underwriter provided the District is able to negotiate an acceptable fee schedule, and that the staff has authority to select the underwriter between Bank of America and Paine Webber; Commissioner Johnson seconded; motion passed.

The draft contract for Alan Dashen was discussed. The contract in the amount of \$26,000 includes \$15,000 for the first \$10 million of bond issuance and 75 cents per thousand above that.

Commissioner Rowland moved to authorize a contract with Alan Dashen of A. Dashen & Associates and to give the Manager authority to sign a contract; Commissioner Johnson seconded; motion passed.

The Board recessed for lunch from 12:00 p.m. to 1:10 p.m.

## **8. Methow Service EIS:**

At the previous meeting, Foster Wheeler presented a proposal requested by the Board to further study the Methow alternatives, and the Board requested details of estimates used by Foster Wheeler prior to proceeding with further work. The cost estimates provided at today's meeting are \$7.8 million for the Pateros/Twisp transmission line with substation; \$19.7 million for rebuilding the existing line with PUD owned generation in Twisp; \$37.7 million for rebuilding the existing line with biomass generation in Twisp; \$14.6 million for adding a second transmission line over the Loup Loup; and \$16 million for rebuilding the existing line hot.

The Manager also reviewed the construction cost detail and load projection information from Electrical Consultants, Inc.

Differences in alternatives involve right-of-way expenses (including timber and access roads), the net cost of temporary power if the Loup Loup line is rebuilt, and environmental impacts. Direct costs for the transmission line and associated materials are the same with all alternatives.

An earlier question regarding BPA's preference of alternatives was answered by Manager Warner -- BPA has not looked at alternatives.

The Board agreed to exclude from further consideration the rebuilding of the existing line hot. Ms. Hall was requested to modify Foster Wheeler's proposal for consideration at the January 22, 2002 meeting.

## **9. PURMS Self Insurance Agreement - Resolution No. 1230:**

Fred Burke reported that the Public Utility Risk Management Services (PURMS) board voted 17-0 on December 7, 2001 to amend the Self-Insurance Agreement, which requires a resolution by the PURMS board and all participating utilities.

Mr. Burke presented Resolution No. 1230 declaring approval of Resolution No. 12-7-01-1 enacted by the board for the PURMS self-insurance fund adopting an amended and restated version of the PURMS Joint Self-Insurance Agreement ("SIA") effective December 7, 2001, including a number of amendments to sections of the SIA known as the Interlocal

Agreement, the Health and Welfare Coverage, the Health and Welfare General Assessment Formula, the Commercial General Liability Coverage, and the Public Officials and Entity Coverage. Commissioner Rowland moved to adopt Resolution No. 1230; Commissioner Johnson seconded; motion passed.

#### **10. Envirometrics Contract Extension:**

Dan Boettger distributed a letter from Mike Ruby, president of Envirometrics, Inc. regarding a \$7,500 contract extension for Envirometrics, Inc. to prepare a Title V Air Operating Permit for the Ophir diesel plant. The plant is fully permitted for current operation, however, the Title V Air Operating Permit must be in place in June 2002, which is within one year of the diesel plant start date.

Commissioner Rowland moved to authorize the Manager to sign an extension contract with Envirometrics, Inc. for \$7,500 for preparation of a Title V Air Operating Permit; Commissioner Johnson seconded; motion passed.

#### **11. Fiber System Report:**

Rich Trimble reported that Patrick McGary, the Assistant Manager at Mason 3, is vacating his NoaNet board position due to a relocation to Clark PUD. Those nominated for his position are Ed Blakemore, the Manager at Mason 3; Fred Mitchell, the Assistant Manager at Clallam PUD; and Dave Siburg, the Manager at Kitsap PUD. Mr. Trimble intends to vote on January 9th for Mr. Siburg to fill the position, which the Okanogan PUD Board approved.

Mr. Trimble briefed the Board on a quotation to CenturyTel for bandwidth between CenturyTel in Twisp and the Chelan High School. The dark fiber path to the Chelan High School would utilize Chelan and Douglas PUD fiber. The agreement would require the District owning and maintaining a node in Chelan at a cost of \$48,000 to \$58,000. The contract proposal is a three-year term at 7.5% interest. The Board approved the quotation, with the understanding the District would have an agreement with Chelan and Douglas PUDs.

Joe Miller noted that Nortel Networks has completed installing the first four SONET nodes (Omak, Verestar, Chief Joe and Brewster). The alarms are being connected to the network so that Cutthroat Communications can monitor the network and report any problems. The Omak, Okanogan and Brewster PUD offices will be connected into one network on January 12, 2002. The Omak building is expected to be open for customer service in February. The Board will tour the building on January 22, 2002.

#### **12. Northwest Irrigation Utilities Dues:**

Manager Warner distributed a letter from John Saven, the Executive Director of Northwest Irrigation Utilities, regarding the dues structure for 2002. Using a new cost-sharing formula, the dues will be based 50% upon irrigation loads and 50% on total utility loads. For Okanogan PUD, the 2002 dues will be \$9,932, compared to \$6,621 in 2001. The District has

been a member of NIU for several years, and it was agreed that the professional consulting service is a valuable product.

The Board authorized the dues payment of \$9,932 to Northwest Irrigation Utilities.

### **13. Nine Canyon Wind Project Report:**

Rich Trimble reported on the first participants meeting held for the Nine Canyon Wind Project. Construction has commenced with completion expected in October. Okanogan PUD has a 25% share of the project and is represented by Larry Felton as the primary representative and Rich Trimble as the alternate. A bond issue in the amount of \$71 million was completed recently, which includes a five-year call provision. A portion of the bond issue is a reserve fund to help stabilize rates. The purchasers and Energy Northwest plan to diligently lobby for additional funding for a renewable energy federal subsidy (REPI) that is key to cost-effective rates.

### **14. Meetings:**

The next Okanogan PUD Board meeting is scheduled for January 22, 2002. The February 5, 2002 meeting will be canceled due to a conflict. If it is necessary to reschedule the meeting, a special meeting will be held on February 8, 2002.

### **15. Executive Session:**

The Board recessed into executive session from 4:07 p.m. to 5:05 p.m. to discuss possible litigation and personnel.

The Board reconvened into regular session at 5:05 p.m. Commissioner Rowland moved to enter in a Common Interest Agreement with the Slice Users Group, and authorized the Manager to sign the Agreement following the Attorney's review; Commissioner Johnson seconded; motion passed.

Commissioner Rowland moved to adopt the 2002 non-union salary schedule as presented by staff; Commissioner Bunch seconded; Commissioner Johnson abstained; motion passed.

There being no further business to discuss, the meeting adjourned at 5:06 p.m.