

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan March 26, 2002**

**Present:**

Board: Darrel Bunch, Donald Johnson, James Rowland  
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Don Clutter, Janet Funston, C.J. Hack, Derek Miller, Larry Felton, Debra Peters, Steve Brown, Joe Miller, Don Coppock, Janet Crossland, Don Brantner, Dan Boettger, Julie Pyper  
Other: Michael Howe, Legal Counsel  
Susie Buchert, Bill Stevenson - The Chronicle,  
K.C. Mehaffey - The Wenatchee World  
Public: Paul Cox, Gordon Albert, Nancy Albert, Elaine Raymond, Maeyowa, Doug Sheets, Lorah Waters, Anaka Mines, Dana Visalli, Ed Thiele, Ken Westman, Elaine Westman, Leanna Melton, Bob Phillips, Nim Titcomb, Dave Schultz, Dick Thayer, Bruce P. Wood, Craig Boesel, Roger Meader, Esther Johnson, Dave Johnson, Clarence Hauf, Vicky Welch, Meadow Schrenevek

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. Approval of Transfer of Accounts
5. Public Comment
6. Advertising Proposal
7. Power Supply Report
8. Anaka Mines & Dana Visalli - Energy & Ecology
9. Methow Power Reliability Report
10. Financial Forecast Update
11. Energy Northwest Zintel Canyon Wind Project
12. Ethernet Rates
13. PUD Association Olympia Office
14. Bargaining Agreement
15. Meetings
16. Public Comment
17. Executive Session - Litigation

**1. Approval of Minutes:**

Commissioner Johnson moved to approve the Minutes of the March 5, 2002 regular meeting; Commissioner Rowland seconded. Commissioner Johnson requested additional language be included in item 6 - *Tiered Rate Discussion* to explain to customers the affect on different rate groups if tiered rates were adopted. He also requested the following:

Insert after paragraph 3: The use of tiered rates would require no change of equipment. Correction in paragraph 4, sentence 3: replace "residential tiered" with "time of day."

Item 7 - *Conservation Program Report*: Insert the following after paragraph 2: More than 10,000 compact fluorescent light bulbs have been sold at a \$3 discount. Five-year, no-interest loans have been available for conservation measures such as insulation and efficient heat pumps. They will soon be available for solar and wind installations. Rebates (\$50) continue to be available for energy-efficient appliances. An outreach program has been very active.

Item 10 - *Wind Project*. Insert in the last sentence of paragraph 1 after "Okanogan PUD has a 24% interest": it will supply 5% of the total PUD **energy** load.

Item 11 - *Transmission Line Road Report*. Insert the following after the present paragraph: Available road data remains with Duke Engineering. **Commissioner Johnson said that** it has previously been reported that 24.3 miles of existing roads would require improvements and 20.8 miles of new roads would be required. Those roads would cross at least 24 streams.

Commissioners Bunch and Rowland opposed amending the Minutes to explain the affect of tiered rates for certain rate classes. Commissioners Bunch and Rowland did approve the other additions and clarifications as stated above, with inclusion of the language in bold print. The vote passed with Commissioner Johnson opposing.

## 2. Approval of Work Orders:

The following work orders were submitted for approval:

97-0218	District, Okanogan 115 KV Sub.	\$46,213
99-0794	District, Brewster	12,713
00-0189	District, Oroville	132,100
01-0216	North Omak Investment, Senna St., Omak	6,346
01-0349	District	29,000
01-0642	District, Ophir Sub.	68,190
02-0028	Ferry County PUD, Republic	1,132

02-0048	Colville Tribal Services Corp., Omak	3,544
02-0049	District, Monse	1,498
02-0050	District, Cople Rd., Omak	5,290
02-0305	District, S. Pine Creek Rd.	2,400
02-0307	David Bensing, Lot 2, Mtn. View Short Plat	2,125
02-0308	Steve Berry, Dogwood & Appleway	1,386
02-0309	Whitaker Construction, 209 W. Delicious St.	618
02-0310	Steve Gagon, Long Lake (Aeneas Valley)	1,475
02-0311	Jim & Denise Carle, 769 Chewiliken Vly Rd.	2,550
02-0312	Jim Walsh, Spectacle Lake	3,825
02-0313	Warren Eaton, Eighme Rd.	2,621
02-0314	Vaughn Range, Tonasket	2,950
02-0601	District, Hwy. 97	36,478
02-0607	District, Gold Creek Rd.	1,877
02-0608	Sweet River Bakery, 203 Pateros Mall	2,380
02-0611	Anfi & Brent MacDonald, 149 Alta Lake Rd.	812
02-0613	McCandlish Electric, Carlton Bridge-Hwy. 153	527
02-0614	Forest Tonkins, Hwy. 153	3,666
02-0615	District, Douglas St., Brewster	1,130
	Total	\$375,450

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

### 3. Approval of Vouchers:

Vouchers No.'s 70677 through 70705 in the amount of \$167,445.35, No.'s 70706 through 70842 in the amount of \$127,121.07, No.'s 70843 through 70934 in the amount of \$880,668.64, No.'s 70935 through 70965 in the amount of \$159,608.34, and No.'s 70966 through 71046 in the amount of \$1,786,885.04 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:

Manager Warner introduced the employees invited to attend the Board meeting: Janet Funston, Payroll; and C.J. Hack, Telecommunications Technician.

Mrs. Dave Johnson of Twisp said she has had good service as a PUD customer since 1948. She presented a petition signed by 472 citizens of the Methow Valley in support of reliable electric service to their community. The petition states that the citizens support the PUD's plan to build a new transmission line to Twisp, and support the PUD's staff in their planning to build the least costly alternative that is sound with the environment. Mrs. Johnson said she is in favor of the Pateros to Twisp transmission line. She urged the PUD directors to proceed, and for Commissioner Johnson to support, the most economical and dependable route.

Maeyowa expressed concern with the amount the PUD is charging the public for document copies. She feels that electrical service to the Methow Valley could be remedied at a far less price than what has been presented, i.e. timber clearing. She said the growth being experienced in the Methow is in the upper valley.

Roger Meader, General Manager of the Okanogan County Electric Cooperative, said the Co-op is very concerned about the transmission project and that seven of the nine board members were present to show support. He presented a letter to the PUD board regarding the Co-op's concern for the safety and potential economic loss of not having an adequate transmission line to serve its members. Mr. Meader noted that the PUD has a contract with BPA to transmit power to the Co-op through a General Transfer Agreement, and there is concern with the possibility of losing GTA's in the future. The Co-op's full board recommends that the PUD board move forward with an EIS and begin construction on the most economical transmission line alternative that is sound with the environment. Unless new information comes forth through the EIS, the Co-op board fully supports the Pateros to Twisp transmission route alternative that the PUD staff has recommended. Mr. Meader said that 78% of the Co-op's outage time over the last five years is due to the PUD's transmission line going out, which is an economic impact to businesses. He also said that 600 new electrical services have been added to the Co-op system within the past five years.

Mr. Meader asked if the PUD's transmission line maintenance could be done during a warmer part of the year, i.e. August or September, instead of October or November because of outages occurring during extreme cold temperatures.

Leonard Norris of Norseman Company addressed the Board regarding a disagreement with the PUD over financial responsibility of excavation damage

to a primary underground conductor on October 9, 2001 near Carlton. The cost to repair the damage totaled \$3,996.46, and Mr. Norris was billed for half of the cost (\$1,998.23).

The District located the cable per instructions from the underground locate call center, and marked beyond the transformer. Mr. Norris maintains that an additional line should have been marked ten feet from where the cable was located. It is the staff's understanding of the law that the contractor is responsible for maintaining the location markings and for requesting another locate if the work is not done within ten business days. A new locate was not requested prior to the excavation work. The District accepted half of the liability for not following its policy of contacting the contractor on the day the electrical cables were located.

Attorney Howe felt that Mr. Norris was fully responsible even though the PUD had made an offer of settlement. He noted that State statute only requires the PUD to mark the lines as requested, and that excavation has to occur within seven days.

Due to the unusual circumstances of the District not contacting the contractor, Commissioner Rowland moved to waive the bill to Leonard Norris; Commissioner Johnson seconded; motion passed.

Meadow Schrenevek asked if Roger Meader placed any basis of the economic impact of transmission line outages on the distribution lines, which may not be in good shape.

Vicky Welch stated there needs to be accuracy in the assessment of costs for service to the Methow Valley. She reported that a Dr. Christie, who is an expert in distribution reliability, said the Pateros to Gold Creek route is not the most economical and that the express feeder option is 28% less expensive than the transmission line.

Lorah Waters read information from the Northwest Energy Coalition Report. She is concerned that the distribution lines are being left out of discussion. She also said that outages seem to be occurring along the transmission line, and rebuilding the line in the upper valley needs to be further explored.

Ken Westman, as a representative of the upper valley on the OCEC board, asked if the PUD, in the case of a transmission line problem to the valley, has the option of disconnecting OCEC and still preserving their services in the valley.

Doug Sheets, as a ratepayer, said he is offended by folks that are not ratepayers coming in and letting the Board believe they are speaking for him.

He is in favor of the line going up the Methow or not building one.

John Umberger, who lives at the south entrance to Gold Creek, complimented the PUD regarding the diesels. He said he supports power in the Methow. He would like to know the amount of money that has been spent defending the Methow transmission line.

At the request of the PUD, Sara Pedrick, a mediator/facilitator, attended the meeting. She responded to questions regarding how a community mediation process might work in determining the best way to proceed with providing reliable power to the Methow Valley. Interested individuals and organizations would contact Ms. Pedrick for individual meetings, and all participants would be asked to contribute financially to the mediation services. At the conclusion, Ms. Pedrick would provide a recommendation and position paper.

President Bunch noted the importance of timeliness and that a decision be within acceptable utility practices. The Board took no action, but Ms. Pedrick indicated she would get back to the Board.

#### **6. Advertising Proposal:**

Debra Peters and Steve Brown presented an advertising proposal to promote energy conservation programs and advertise upcoming events. The options varied in cost from \$11,571.00 to advertise in all of the local newspapers; \$5,119.00 for an initial ad with the Chronicle and follow-up ads with all papers; \$3,880.80 to advertise in the Chronicle only; and \$660 for three weeks of radio advertising with KOMW.

The PUD will be hosting a Motor Management workshop in the PUD Auditorium on April 18 at 9:00 a.m. On April 27 from 10:00 a.m. to 2:00 p.m., the PUD will be hosting a Torchiere turn-in day in the PUD parking lot.

Ms. Peters and Mr. Brown developed sample brochures with helpful information on energy conservation, compact fluorescent lighting, solar and wind power. The brochures would be placed at District offices and various locations. The cost for the brochures is \$3,000.00.

Commissioner Rowland moved to approve the brochures at a cost of \$3,000.00; to commence an advertising contract with the Chronicle in the amount of \$3,880.80, agreeing to purchase at least 396" over a year at a discount price of \$9.80 per column inch; and with KOMW in the amount of \$660, which would include three weeks of 30 second advertising at a rate of \$8 per spot; Commissioner Johnson seconded; motion passed. The Board also agreed to place smaller ads in the other newspapers and to research in the future the other radio stations.

## **7. Power Supply Report:**

Larry Felton reported that the District has 79 average megawatts of firm energy (17 from Block; 35 from Slice; and 27 from Wells Dam). Wells Dam provides an annual average of 31 MW. This is the cheapest and most flexible source of electricity for the PUD; on average it provides 40% of the need at less than 1 cent/kWh. The Nine Canyon wind project will add another 4 AMW and should help fill the seasonal shortages. The District has 180 MW total capacity in the winter to serve the load, and has excess capacity (maximum load [need] has been 168 MW in January 1996) with its hydro resources - Wells Dam and Slice. Mr. Felton noted, however, that the capacity we have available to sell is most valuable when we need it the most.

On a planning basis, the District has approximately 4MW of surplus capacity in January and 74 MW of excess capacity in May. Seasonal value of surplus energy can be tied to the Block purchase rates. For example, a premium is paid in the winter for Block energy, but an even higher amount is paid in July and August. Block is a firm purchase, but the market determines the value of surplus Slice power, which is used to reduce the District's net power costs. With Wells Dam, we pay an annual amount fixed according to the cost of the project. There is also value in daily load factoring. Mr. Felton said that to the extent you could move people's habits from daytime to nighttime and from a high price month to a low price month, additional revenues can be realized. Power value changes with the season, day and time of day. Moving use to utilize less expensive power (midday or night) from more expensive periods (mornings and evenings) allows the PUD to sell more expensive power, increase revenue and decrease rates.

## **8. Anaka Mines & Dana Visalli - Energy & Ecology:**

Dana Visalli and Anaka Mines presented information regarding a decline in the production of fossil fuels, noting an increasing dependence on foreign imports. To explore these issues for a better understanding of future energy options, Mr. Visalli and Ms. Mines are seeking grant funding and sponsorship of a conference on Energy and Ecology this fall in Twisp. They requested that the PUD co-sponsor or endorse the conference, and that someone from the PUD act as a liaison with the conference steering committee. In addition, they would like to access the PUD's Conservation Department for information on conservation and renewable energy options.

The Board favored the opportunity for the Conservation Department to provide information, and for a PUD staff member to be involved in determining if the conference would be a value to the ratepayers.

The Board recessed for lunch from 12:13 p.m. to 1:00 p.m.

## **9. Methow Power Reliability Report:**

Derek Miller discussed the reliability and capacity of service to the Methow Valley. He noted that the capacity of the transmission line serving the Methow Valley is limited such that minimum voltage limits would be exceeded under emergency conditions. Both reliability and capacity would be enhanced by construction of a second transmission line. Mr. Miller also addressed capacity limitations of the distribution system between Twisp and Pateros. A second transmission line up the valley would facilitate resolution of that problem as well. He also discussed alternatives to a Pateros-Twisp transmission line, but indicated these would not offer as many options in the event of system failures.

Existing transmission lines function at 80% of available capacity. When growth exceeds conservation, then at that future time capacity may not be adequate. At this time during hours and seasons of peak use, voltage drops may produce reliability problems. The existing conductors weigh 145 lbs/thousand feet, while larger conductors with greater capacity, proposed for rebuilding or new transmission lines, weigh 430 lbs/thousand. This requires taller, stronger poles and in some areas new distribution lines and transformers would be required. These are among the considerations requiring review in comparing alternatives for existing and potential reliability problems at the ends of lines in Oroville and the Methow Valley. Adding local (distributive) generation is an additional approach to these problems.

## **10. Financial Forecast Update:**

Fred Burke presented an updated financial forecast showing the effects of the rate increase with expenses and capital improvements. An \$8 million bond issue is currently projected for miscellaneous capital projects over the next three years. An additional \$8 million bond issue for the Methow improvements has been projected for 2005. These projections assume revenue is generated from Slice, there is no change in the BPA rate, and there is no sale of diesel generators or restructuring of debt. The situation could be improved if power costs and surplus sales are better than anticipated. Selling the diesels and/or restructuring the debt would also have a positive effect. The cash-flow analysis assumes a 1%/year growth rate with operating and maintenance expenses increasing 3-4%/year. It includes a \$10 million loan to buy diesel generators in 2001, loans of \$8.4 million for the telecommunications (fiber optic) project in 2002 and an additional \$8 million loan in 2005 for Methow transmission improvement. The 30% and 20% rate increases in 2001 provide sufficient revenue until 2005. At that time, the PUD will have outstanding debt of \$20-21 million and require additional revenue (rate increase?) to maintain the necessary \$8 million in cash reserves. The PUD's current cash reserves are \$11 million with an outstanding loan of \$10 million.

#### **11. Energy Northwest Zintel Canyon Wind Project:**

Manager Warner presented Resolution No. 1234 approving Energy Northwest's undertaking of the Zintel Canyon Wind Project. Okanogan PUD will not be purchasing any of the project output.

Commissioner Rowland moved to approve Resolution No. 1234; Commissioner Johnson seconded; motion passed.

#### **12. Ethernet Rates:**

Joe Miller noted that the PUD would be concentrating this year on completing construction of the backbone network, and connecting a small number of Ethernet customers as pilot projects. In 2003, the District hopes to be making Ethernet connections available on a larger scale. Mr. Miller distributed information on the revised Ethernet rate proposal and deployment model. The old rates did not take into consideration the details of how we are actually implementing our Ethernet network deployment. It was very difficult to make quotations for service based on the old rates.

#### **13. PUD Association Olympia Office:**

The Board discussed funding of the PUD Association Olympia office, and agreed to support the office location at Olympia under the following conditions: 1) The maximum budget approved for this relocation project is \$2.5 million; 2) The existing dues formula would be maintained, or if revised Okanogan's share would not exceed 3.25% of the total cost; 3) Okanogan would select a lump-sum payment option for the actual amount approved by the Association board of directors; 4) Okanogan will make payment to the Association within seven calendar days of the written request from the Association; and 5) the PUD Association board of directors must have approved the project and determined a total project cost by December 31, 2005. Manager Warner will provide the PUD Association a letter of commitment.

#### **14. Bargaining Agreement:**

Manager Warner announced that the new Bargaining Agreement between IBEW Local 77 and Central Washington Public Utilities was approved by six utilities, with the exception of Benton PUD.

#### **15. Meetings:**

Commissioner Johnson reviewed highlights of the PUD Association meeting he attended in Olympia on March 14-15, 2002. The Board approved Commissioner Johnson attending the NWPPA annual meeting in Juneau, Alaska on May 20-23,

2002.

The April 9, 2002 Okanogan PUD Board meeting was cancelled. The next PUD Board meeting is scheduled for April 16, 2002.

**16. Public Comment:**

There was no additional public comment.

**17. Executive Session - Litigation:**

The Board recessed into executive session at 4:18 p.m. to discuss litigation. The Board reconvened into regular session at 4:40 p.m. and there being no further business to discuss, the meeting adjourned at 4:40 p.m.

Darrel E. Bunch, President

Donald W. Johnson, Vice-President

James G. Rowland, Secretary