

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan April 16, 2002**

**Present:**

Board: Darrel Bunch, Donald Johnson, James Rowland  
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Larry Felton,  
Debra Peters, Steve Brown, LeRoy Parten, Mike Morris, Janet  
Crossland, Don Coppock, Joy Schultz, Julie Pyper  
Other: Michael Howe, Legal Counsel; Alan Dashen, A. Dashen & Associates;  
Tom Sullivan, Okanogan Irrigation District; Susie Buchert - The  
Chronicle  
Public: Daniel Maples (OCCS), Janet Rosser, Pearl Diseth, Kenneth Diseth,  
Esther Johnson, Dave Johnson, Vicky Welch, Doug Sheets, John &  
Lorraine Clees, Maeyowa, Lorah Waters, Peter James, John Andrist,  
Roy Webster, John Umberger

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. Financing Status Report
7. Okanogan Irrigation District
8. Renewable Energy Access Project
9. Deferred Compensation Plan - Resolution No. 1235
10. Ethernet Customer Requests
11. Foundation for Water & Energy Education
12. Enloe Dam
13. Public Utility Risk Management Services
14. Public Comment
15. Meetings
16. Executive Session - Personnel

**1. Approval of Minutes:**

Commissioner Rowland moved to approve the Minutes of the March 26, 2002 regular meeting; Commissioner Johnson seconded with the following additions and clarifications:

Approval of 3/5/02 Minutes discussion : Strike the statement wherein Commissioner Bunch noted that some customers (over 3000 kWh) would see a rate increase with tiered rates. It was decided that technical details (of who would save and who would pay more) of the tiered rate discussion should not be included in the Minutes.

Item 5 - Public Comment Re: Sara Pedrick: Commissioner Johnson said there was no motion, no vote and who Ms. Pedrick contacts is not the Board's business. The Commissioners had differing opinions on whether or not the PUD would be compensating Sara Pedrick up until the May 7th meeting. Following discussion, it was agreed to replace the sentence authorizing Ms. Pedrick to contact various interested parties with the following: The Board took no action, but Ms. Pedrick indicated she would get back to the Board.

Item 7 - Power Supply Report: Add the following: 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. In the 3rd sentence after excess capacity: (Maximum load [need] has been 168 MW in January 1996). After the last sentence add: 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.

Additional information submitted by Commissioner Johnson was not included because it was information that was not presented at the meeting.

Item 9 - Methow Power Reliability Report: Add the following: Existing transmission lines function at 80% of available capacity. ~~If~~ **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.

(In the statement regarding growth exceeding conservation, it was agreed that "when" was a more accurate word than "if." In addition, it was agreed that additional information presented on excess capacity would not be included.)

Item 10 - Financial Forecast Update: In the fourth sentence substitute "no sale of diesel generators" for "no diesel sales." Add the following after the last sentence: 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 Telecom (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.

Item 13 - PUD Association Olympia Office: Commissioner Johnson said the list of conditions was not presented to the Board nor agreed upon, however, it was pointed out that the information was presented in the Lewis PUD draft resolution.

The vote passed with Commissioner Bunch opposing item 5.

## 2. Approval of Work Orders:

The following work orders were submitted for approval:

01-0215	District	\$11,100.00
02-0026	Charles Gardner, 152 Greenacres Rd., Omak	\$3,652.00
02-0031	District, Lottie St., Conconully	\$7,513.00
02-0047	Keith Hagglund, 81A E. Omak Lake Rd.	\$3,321.00
02-0055	District, Hwy. 97	\$1,814.00
02-0056	Al Wiggins, Caudill Rd., Omak	\$4,503.00
02-0060	John Goroch, Hwy. 97 S. of Malott	\$1,536.00
02-0316	District, Webber Rd.	\$1,575.00
02-0317	District, Appleway St. & #3000 Circuit	\$19,500.00
02-0318	Rick Savold, Tunk Mtn. Rd.	\$2,550.00
02-0319	District, N. Pine Creek Rd.	\$2,500.00
02-0320	Joe Allemandi, Palmer Lake Rd., Loomis	\$1,760.00
02-0322	Gene Smith, Lot 7, Pine Cone Estates	\$1,567.00
02-0323	Frank Jones, 88 Five Mile Rd.	\$2,234.00
02-0608	Sweet River Bakery, 203 Pateros Mall	\$2,380.00
02-0609	District, Hwy. 97, Paradise Hill Tap	\$38,248.00
02-0610	District, Brewster to Pateros	\$4,434.00
02-0618	District, 566 2nd Ave. W., Twisp	\$679.00
02-0619	Danny Days, 211 Day's Lane, Twisp	\$890.00
	Total	\$111,756.00

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

## 3. Approval of Vouchers:

Vouchers No.'s 71047 through 71103 in the amount of \$261,087.09, No.'s 71104 through 71134 in the amount of \$167,924.03, No.'s 71135 through No.'s 71199 in the amount of \$561,677.84, and No.'s 71200 through 71320 in the amount of

\$528,971.30 were approved for payment from the revenue fund.

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

#### 4. Transfer of Accounts:

The following accounts were submitted for transfer:

Allied Mortgage	\$28.48
Alvarez, Jorge	\$111.32
Ambrosio, Zoilo	\$98.49
Bertram, Kirk & Polly	\$49.56
Boyce, John A.	\$302.44
Brooks, Joshua	\$315.33
Cabello, Connie	\$46.75
Caswell, Denise M.	\$203.24
Choate, Christine	\$305.56
Cook, Jessica	\$43.18
Cotner, Olivia	\$425.10
Cross, David B., Jr.	\$19.88
Dobson, Wendy R.	\$72.84
Dudley, Jessica	\$60.06
Fuentes, Reynaldo	\$82.29
Galindo, Ramon	\$38.15
Gasper, Kathleen	\$53.93
Gehret, Ronald	\$90.67
George, Robert	\$220.73
Gilmer, George	\$23.03
Gonzalez, Melissa	\$329.50
Gray, Lenard	\$157.01
Hernandez, Maria A.	\$61.01
Herriman, Frank	\$236.20
Malone, Brenda	\$48.57
Marin, Alfredo	\$228.44
McDonald, George	\$45.20
McMenamin, Dennis	\$140.00
Montoure, Karen	\$37.20
Moore, Debbie & Tim	\$93.92
Morales, Modesto	\$109.65
Moreno, Gelacio Ines	\$128.12
Nixon, Kristi N.	\$183.81
Noble, Wilford H. (Estate)	\$127.60
Orr, Margaret	\$138.82

Oyler, Greg L.	\$308.08
Payne, Charles	\$38.75
Porter, Christina	\$193.90
Rapp, Carl M.	\$34.83
Relles, Anita & Fonseca, Jose L.	\$17.98
Rojas-Resendiz, Rafael	\$88.96
Ruiz, Robert, Sr.	\$462.37
Schoonover, Aaron	\$80.22
Shew, Steve	\$235.04
Smith, Laura	\$118.72
Strickland, Amanda S.	\$4.94
Swank, Richard	\$13.72
Timentwa, Dena	\$11.54
Timentwa, Sue	\$38.49
Watkins, Tamera	\$21.72
Watt, Barbara L. (includes Invoice of \$3,421.20)	\$3,605.29
Wells, Duwain N. (Estate)	\$163.89
Winther, Mark & Murphy, Pam	\$96.95
Xhurape, Stacy	\$7.68
Yoakum, Cami	\$209.87
Zavala, Rochell	\$7.82
TOTAL	\$10,416.84

In addition to the above transfers, Fred Burke presented invoice #3097 in the amount of \$2,081.14 for transfer to the electrical account #12826-0 of P & G Orchards. The District has been unsuccessful in collecting on the August 10, 2001 invoice for replacing a burned out transformer that services a wind machine on Monse Bridge Road.

Mr. Burke also presented for transfer to Debby Curren's electrical account the outstanding balance of conservation loan #27632 (\$8,400.12) in the name of Tonasket Tavern (Debby Curren). The District has been unsuccessful in collecting the past due amount of \$700.82. The Promissory Note and Agreement signed by the Tonasket Tavern (Debby Curren) grants to the PUD a lien/security interest, and the right to disconnect and accelerate the entire unpaid balance.

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

##### 5. Public Comment:

Manager Warner introduced the employees invited to the Commission meeting: Mike Morris, Warehouseman, and LeRoy Parten, System Engineer.

Esther Johnson presented an additional 200 petition signatures in support of proceeding with the power line from Twisp to Pateros. Mrs. Johnson said the petition included the signatures of the county commissioners.

Dave Johnson noted that people are very enthusiastic about the power line even though they do not want to put out any effort.

John Clees, who lives between Gold Creek and Libby Creek, requested leniency with farmers so that they are charged only for the amount of power used. The staff will determine the cost of Mr. Clees' facilities, and respond to him in writing. Mr. Clees also stated that his power has gone off twice this year, and he is in favor of the transmission line.

Vicky Welch asked the PUD to develop an incentive to urge owners of rental properties with poor insulation to improve their insulation, so the total power needs of the PUD would be lessened.

Roy Webster inquired about the PUD's diesel sales.

#### **6. Financing Status Report - Alan Dashen:**

Financial Advisor Alan Dashen briefed the Board on the status of the District's \$7.9 million bond issue, which includes \$7 million net proceeds for capital improvements (with the District using cash for telecommunications). To keep rates down between now and 2006, the District will pay interest only until 2007. The rate of interest is expected to be 5 - 5.25%. The \$10 million bank note for diesel generators that matures in April 2006 will not be included in the bond issue. A potential \$8 million 2005 bond issue (interest only until 2006) is planned for the Methow transmission line. Debt service in 2002 will be \$0.7 million and \$3.1 million/year from 2003 through 2006, when it will be reduced to \$0.8 million/year through 2021. Current projections include a rate increase in 2005. The \$7.9 bond issue also includes a reserve account of \$770,000; bond insurance of \$60,000; Banc of America Securities underwriter costs of \$42,000 and other issuance costs of \$48,000. The District staff, bond counsel and financial advisor met with the Standard & Poor's Corporation rating agency and the MBIA, Ambac and FSA bond insurance companies. The schedule of events includes mailing the preliminary Official Statement on April 26, bond rating and insurance quotes due on May 1, pre-pricing call on May 3, bond pricing (sale) on May 6, approval of the Bond Resolution at the Commission meeting on May 7, and receipt of the funds on May 23, 2002. Mr. Dashen felt the District should receive an A rating from Standard & Poor's Corporation, and the insurance would increase the rating to AAA. Mr. Dashen will perform a financial analysis to compare the cost of insurance to the savings in interest and report to the Commission. He asked if there were any questions regarding the financing as the bond sale would occur the day before the next Board meeting, and he strongly advised to approve the Bond Resolution on May 7th. Commissioners

Rowland and Bunch indicated they would sign the Resolution.

#### **7. Okanogan Irrigation District - Tom Sullivan:**

Tom Sullivan, Manager of the Okanogan Irrigation District, requested that Okanogan Irrigation District's Shellrock pumping plant be changed from the PUD's commercial rate (Schedule 3) to the irrigation rate (Schedule 6). The Shellrock pumping plant was originally served under Schedule 6, however, Okanogan Irrigation District previously requested to be served under Schedule 3 to lower their standby charge. It has been on standby for most of its 25 year existence and saved the Irrigation District over \$22,000/year while on Schedule 3. The Schedule 3 power charge for 2002 was anticipated to be \$84,321 more on Schedule 3 versus Schedule 6. A spreadsheet was distributed showing the difference in the two rate schedules based upon Okanogan Irrigation District's 2001 usage. Since the plant is used totally for irrigation, the staff said the appropriate rate would be Schedule 6. Mr. Sullivan was advised that the Okanogan Irrigation District couldn't transfer to the irrigation rate for the years they run and then transfer to the commercial rate for the years the plant is on standby.

Commissioner Rowland moved to place the Okanogan Irrigation District Shellrock pumping plant on Schedule 6 and that it remain there; Commissioner Johnson seconded; motion passed.

#### **8. Renewable Energy Access Project - Lorah Waters:**

Lorah Waters, Director and Outreach Coordinator of the Renewable Energy Access Project, made a proposal to the Board to participate in funding \$42,400 towards an estimated \$76,700 net-metered solar electric demonstration project. The two-phase project would be facilitated by the PUD's membership in the Western S.U.N. Cooperative, and would include educational programs and installation of eight net-metered solar electric systems for qualified public schools and other facilities. The first phase of the project would require the PUD to invest the staff time necessary to help administer the project, and to fund related advertising and printing costs. The Renewable Energy Access Project will apply for grant funding. With the PUD's investment (\$40,000), the expected result is the solar production of 15,756 kWh annually. The project recipients would pay the balance of costs for hardware and installation.

Commissioner Rowland said he would like the Bonneville Environmental Foundation to first examine the project. Commissioner Bunch supported developing the criteria, application process and policies while keeping in mind what legislative issues the PUD might be facing in regards to conservation. Commissioner Johnson supported Phase 1 of the project on a billable basis up to \$4,000 for proceeding with the first three items of the project outline and budget breakdown, not including site survey. The staff noted that the PUD

would need adequate relaying on each installation, which may add additional cost. In response to the proposal calling for staff at the selected facilities to have the option of installing the systems themselves or hiring an electrician, it was also noted that the utility is subject to the National Electric Code.

Commissioner Johnson moved to authorize the PUD to contribute \$4,000 to the Renewable Energy Access Project to proceed with Phase 1 while considering the input of the Commissioners. At Commissioner Rowland's recommendation to reduce that amount to \$2,000, Commissioner Johnson modified his motion to \$3,000. The motion passed.

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

#### **9. Deferred Compensation Plan - Resolution No. 1235:**

Fred Burke presented Resolution No. 1235 authorizing amendment and restatement of the District's Deferred Compensation 457 Plans due to changes in federal and state statutory requirements. The Economic Growth and Tax Relief Reconciliation Act of 2002 enacted numerous Internal Revenue Code 457 changes, including increasing deferral limits; increasing catch-up deferral provisions; providing portability of assets between various retirement plan types; providing greater flexibility in establishing and amending plan asset distribution provisions upon separation from employment or retirement; and providing clarification of taxability issues pertaining to asset distributions.

Commissioner Rowland moved to adopt Resolution No. 1235; Commissioner Johnson seconded; motion passed.

#### **10. Ethernet Customer Requests - Joe Miller:**

Joe Miller reported on the revenue from the first Ethernet customers. Numerous Ethernet connection requests have been received, and quotations are being given based on the rates previously discussed with the Board.

Mr. Miller requested that \$144,500 be added to the budget to provide approximately 20 new connections this year, which would result in an estimated \$43,800 annual revenue. This cost has already been factored into the new Ethernet rates.

Commissioner Rowland moved to allocate \$144,500 to develop the Ethernet system to the extent as presented by Joe Miller; Commissioner Johnson seconded; motion passed.

Mr. Miller also discussed implementation of previously budgeted mapping software at \$72,107 for input of the fiber network documentation.

Commissioner Rowland moved to approve procurement of outside plant mapping software and professional data conversion for telecommunications mapping; Commissioner Johnson seconded; motion passed.

**11. Foundation for Water & Energy Education:**

Manager Warner distributed a news release from the Foundation for Water and Energy Education regarding scholarships awarded to high school students in the Northwest for their essays about the Northwest's energy future. FWEE awarded five \$1,000 and two \$500 college scholarships. Ashley Armstrong of Pateros was one of the recipients of a \$500 scholarship. The Manager will send Ms. Armstrong a letter of congratulations and request a copy of her essay.

**12. Enloe Dam:**

Harlan Warner and Larry Felton met in Seattle on April 15, 2002 with Bob Lohn, the National Marine Fisheries Service Director, to discuss fish enhancement issues on Enloe Dam. Mr. Lohn will contact the agencies and tribes representing the British Columbia interests. If these interests continue to object to having unrestricted fish passage at Enloe, then NMFS will consider not requiring passage at Enloe at this time and will discuss possible license provisions with the District.

**13. Public Utility Risk Management Services:**

Fred Burke reported that property insurance renewal was discussed at the last PURMS meeting. The premium is expected to increase from \$510,000 to \$971,000 due to increased property values and the tightening insurance market. A broker was retained this year for the excess property coverage, and two bids out of nine solicitations were received. Both said they would cover most property at the current retention of \$250,000, but would not touch reciprocating engines below \$750,000. The administrative committee is willing to pay claims above the level of \$250,000 on a 50/50 prorata basis with the insured utility, and will be meeting within 30 days to discuss either purchasing a policy to reduce exposure from \$750,000 to \$250,000 or self-insuring to the higher level.

**14. Public Comment:**

There was no additional public comment.

**15. Meetings:**

The next Okanogan PUD Board meeting is scheduled for May 7, 2002. The Board agreed to reschedule the May 21, 2002 meeting to May 28, 2002 due to Commissioner Johnson's attendance at the NWPPA conference.

**16. Executive Session - Personnel:**

The Board recessed into executive session at 3:00 p.m. to discuss personnel. The Board reconvened into regular session at 3:40 p.m. Commissioner Rowland moved to authorize a new staff position of Telecommunication Manager; Commissioner Johnson seconded; motion passed.

There being no further business to discuss, the meeting adjourned at 3:41 p.m.

Darrel E. Bunch, President

Donald W. Johnson, Vice-President

James G. Rowland, Secretary