

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan June 11, 2002**

Present:

Board: Darrel Bunch, Donald Johnson, James Rowland
Staff: Harlan Warner, Frederick Burke, Derek Miller, Joe Miller, Cindy Lynn-Bartella, Rod Little, Dan Boettger, Debra Peters, Steve Brown, Julie Pyper
Other: Michael Howe, David Sonn - Legal Counsel
Sara Pedrick - Pedrick Mediation Services
Susie Ives - The Chronicle
Public: Dave & Esther Johnson, Maeyowa, David Sexton, David Womack, Lorah Waters, Roy Webster, John Andrist, Kathleen Hirschstein

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. Meeting with County Commissioners
7. Methow Mediation Report - Sara Pedrick
8. Slice Common Interest Agreement
9. Cutthroat Communications Contract
10. Public Comment
11. Executive Session - Litigation
12. Solar Demonstration Project - Lorah Waters
13. Tacoma Land Company
14. Regional Transmission Organization West
15. Meetings

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the May 28, 2002 regular meeting; Commissioner Rowland seconded; motion passed.

2. Approval of Work Orders:

The following work order was submitted for approval:

02-0110 Ken Gray, 53 Woods Rd., Omak \$816

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

3. Approval of Vouchers:

Vouchers No.'s 71801 through 71831 in the amount of \$160,916.92, No.'s 71832 through 71925 in the amount of \$426,211.54, and No.'s 71926 through 72010 in the amount of \$152,495.28 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:

Eggers, Mary \$408.10

Samuels, Alex \$155.25

Total \$563.35

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

5. Public Comment:

Manager Warner introduced the employees invited to attend the Commission meeting: Cindy Lynn-Bartella, Omak office Customer Service Representative; and Rod Little, Apprentice Lineman at Okanogan.

Esther Johnson presented an additional 21 signatures in support of building a new transmission line to Twisp.

6. Meeting with County Commissioners:

The PUD Commissioners and staff met with the County Commissioners and staff to discuss issues regarding electrical facilities needed to serve new subdivisions. Presently, the County Platting Ordinance does not require formal approval of large lot segregations that contain parcels of 20 acres or more in size. The County does have specific requirements that developers must meet for short plat filings, and their present procedure includes notice mailed to all county offices including the PUD. The District would like the County to supplement their existing Ordinance to require a provision for electricity, which would help install the electrical facilities to a development in a cost-effective manner.

Following discussion, the Planning Department will make all large lot segregations filed with the County available to the PUD, and will make sure all District requirements are met before approving short plats. All parties agreed increased coordination between the Planning Department and District engineering staff would resolve most concerns and provide more accurate platting requirements.

7. Methow Mediation Report - Sara Pedrick:

Sara Pedrick of Pedrick Mediation Services reported that she has made contact in the last month with the Methow Valley Citizens Council, PACE, Forest Service, BPA, Foster-Wheeler, Okanogan Highlands Alliance and other individuals to ascertain their willingness to commit to a series of facilitated dialogues regarding the Methow Valley power supply. The contacts under Stage One are expected to be completed on or before June 28, 2002.

The facilitated meetings under Stage Two are scheduled for Wednesday evenings in July, with the first meeting on July 10 at the Twisp Forest Service conference room from 7:00 p.m. to 9:30 p.m. Stage Two is expected to be completed in three to four months.

Ms. Pedrick's fee for her contact with the PUD is \$50 per hour.

Commissioner Rowland moved to instruct the Manager to enter into Stage Two as described by Sara Pedrick; Commissioner Johnson seconded; motion passed.

8. Slice Common Interest Agreement:

Manager Warner presented the Slice Common Interest Agreement, which has been reviewed by Attorney Howe. The Agreement provides that specific information developed between utilities purchasing power from BPA under the Slice/Block Contract would be confidential.

Commissioner Johnson moved to direct the management to go forward with the Slice Common Interest Agreement following the legal counsel advice; Commissioner Rowland seconded; motion passed.

9. Cutthroat Communications Contract:

Joe Miller presented a Managed Network Services Agreement for Cutthroat Communications, Inc. of Bozeman, Montana to provide 24-hour remote monitoring of the District's telecommunications network. The agreement would provide continuous surveillance of the District's equipment and fiber links to detect any abnormal conditions, allowing for repairs to be accomplished prior to service to customers being affected. The network monitoring was an

important factor for the District in marketing its network. The two-year, non-assignable and non-recurring charge contract is \$1,930 per month.

Commissioner Rowland moved to enter into an Agreement with Cutthroat Communications for monitoring the District's telecommunications network; Commissioner Johnson seconded; motion passed.

The District has established OC3 and OC12 rates, however, Mr. Miller said there would be more flexibility in quoting customers and selling services if incremental pieces of SONET/OC's could be sold. For example, there are 3 STS's within an OC3 and 12 STS's within an OC12, and the cost of an STS is \$725.67. Two system customers are currently providing the PUD \$6,531 per month in income.

The Board approved quoting SONET rates based on STS's.

10. Public Comment:

Kathleen Hirschstein said she is looking forward to the Methow mediation process.

Maeyowa said she favors the PUD and Commissioners moving forward with the Renewable Energy Access Project. She emphasized the necessity of honest numbers for all concerned when determining projects, i.e., the Methow transmission line project.

11. Executive Session - Litigation:

The Board recessed into executive session at 11:10 a.m. to discuss litigation.

The Board reconvened into open session at 1:20 p.m.

12. Solar Demonstration Project - Lorah Waters:

Lorah Waters, Director of the Renewable Energy Access Project, addressed the Board to clarify the District's intent in authorizing \$3,000 to proceed with Phase 1 of the project in relation to the \$40,000 investment requested of the PUD for Phase 2. She also requested a letter of support from the PUD to attach to her letter to the Bonneville Environmental Foundation seeking grant funding.

It was noted that the District's authorization of \$3,000 was to assist the Renewable Energy Access Project in locating solar demonstration project candidate facilities. The \$40,000 funding requested from the PUD had raised numerous legal issues, including authorization to fund renewable energy projects under SB 6658 passed in the 2002 legislature. The Board, however, agreed to provide a description of the District's no-interest loan program and

emphasized that \$250,000 has been budgeted for loans to PUD customers to install renewable energy systems. The Manager and Conservation Department staff will work with Ms. Waters in developing a letter of endorsement within State statute and District policy.

13. Tacoma Land Company:

At the May 28, 2002 meeting, the Board agreed to enter into an agreement with Lynn Barnett of Tacoma Land Company to pay the capacity charge payment of his Twin Creeks Ranches development over a period of five years. One of the stipulations of the agreement was the completion of commitments to the District for the Nine-Mile development. Manager Warner reported that Mr. Barnett is in default on his final payment for the Nine-Mile development due May 31, 2002. In addition, he has not satisfied the provision for a substation site. The District is currently in the process of following the procedure, as previously followed, to obtain payment under the Irrevocable Letter of Credit.

The Board agreed that until the Nine-Mile development obligations are satisfied, there will be no consideration of special payment arrangements on the Twin Creeks Ranches development.

14. Regional Transmission Organization West:

Manager Warner reported that the Washington PUD Association is leading an effort to oppose the Regional Transmission Organization (RTO) West, and he and Larry Felton attended a Northwest Power Works meeting on the matter in Portland on June 5, 2002. The Public Generating Pool (PGP) filed an intervention with FERC opposing RTO West based on cost, legal authority, tax liability, and FERC having no authority to require any system improvements. PGP is working on drafting an RTO alternate.

It was noted at the Public Power Council executive meeting that BPA's 2001 fish costs were \$220 million. In 2001, high power market prices and extremely low water conditions drove river operations costs to \$1.5 billion.

The Manager and Mr. Felton also attended an RTO/BPA hearing in Portland on RTO West, which was strongly attended by Oregon utilities. The District will be responding in writing to the issues.

15. Meetings:

The next Okanogan PUD Board meeting is scheduled for June 25, 2002.

There being no further business to discuss, the meeting adjourned at 2:30 p.m.

Darrel E. Bunch, President

ATTEST:

Donald W. Johnson, Vice-President

James G. Rowland, Secretary