

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan July 9, 2002**

Present:

Board: Darrel Bunch, Donald Johnson, James Rowland
Staff: Harlan Warner, Richard Trimble, Frederick Burke, Derek Miller, Debra Peters, Kathy Gordon, Jay Vander Weide, Steve Brown, Dan Boettger, Julie Pyper
Other: Michael Howe - Legal Counsel
 Garry Thompson & Rob Swedo - BPA
 Jim Divis - Magi
 Lynn Barnett - Tacoma Land Company
Public: Dave & Esther Johnson, David Womack, Maeyowa, 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. NWPPA Communicator's Award
7. Magi Con-Aug Contract
8. Sub-Basin Planning - Garry Thompson, BPA
9. Resolution No. 1240 - SEPA Appeal Procedure
10. Public Comment
11. Meetings
12. Lynn Barnett - Nine-Mile/Twin Creeks Developments
13. Wenatchee Valley College luncheon

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the June 25, 2002 regular meeting; Commissioner Rowland seconded; motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

99-0467	John & Margaret Vicente, Turner Lake Rd. (Rev. #1)	\$14,750.00
01-0027	District, Okanogan	37,075.00
01-0028	District, Okanogan	35,272.43
01-0029	District, Okanogan	31,598.95
02-0053	Dalton/Klessig Park, Senna St., Omak	3,696.00
02-0111	David Gonzalez/Iama Zopa, Tunk Creek Rd.	6,569.00
02-0116	NC Construction & District, Hanson Rd. - N. of Malott	3,657.00

02-0117	Atlas Marketing, 325 Omak/Riverside E. Rd.	12,956.00
02-0119	District, Okanogan	81,083.00
02-0125	Rich Lockwood, Kirkpatrick Rd., Omak	2,469.00
02-0126	Ray Clements, 63B Green Lake Rd., Omak	1,758.00
02-0130	Larry Schreckengast, 2303 Elmway, Okanogan	1,091.00
02-0355	David & Diane Darragh, Turner Lake Rd.	5,800.00
02-0361	Tony Ande, Lemanasky Rd.	11,650.00
02-0646	Mike & Terry Hackenmiller, 95B Bill Shaw Rd., Pateros	4,600.00
02-0653	Dave Leaming, Lower Beaver Creek Rd.	851.00
02-0654	Charles Jensen/District, 2087 Hwy. 153, Carlton	613.00
02-0655	Hank Konrad, Finley Canyon Rd., Twisp	5,513.00
02-0656	Michael McHugh, 92 Benson Creek Rd., Twisp	1,381.00
02-0657	Steve Abendroth, 957A Twisp-Carlton Rd.	1,929.00
	Total	\$264,312.38

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

3. Approval of Vouchers:

Vouchers No.'s 72208 through 72238 in the amount of \$161,255.44, No.'s 72239 through 72295 in the amount of \$1,358,600.24, and No.'s 72296 through 72319 in the amount of \$249,513.11 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 write-off/collection due to nonpayment.

5. Public Comment:

The Manager introduced the District's Customer Records Coordinator, Kathy Gordon, who was invited to attend the Commission meeting.

Commissioner Johnson said with regard to the June 26th comment in *The Chronicle* that he doesn't think newspapers should release costs associated with the proposed Pateros to Twisp transmission line or alternatives, his intention was that figures not be released unless they are agreed on or unless all figures are going to be released. Commissioner Johnson said he did not allege that PUD staff paid off the consultants to make a recommendation regarding the Pateros to Twisp line, as was stated in the June 26th article. Commissioner Johnson asked for clarification on the amount the PUD could charge the public for copies (*45 cents per copy, which includes labor*). He asked for clarification on the agreement with Sara Pedrick for mediation services (*\$50/hour to the PUD - either party can terminate the agreement at any time*). He also asked for clarification regarding Foster Wheeler's participation in mediation and if the PUD was paying for their participation

(District staff noted that Ms. Pedrick had said that Foster Wheeler would participate free gratis. The District has a contract with Foster Wheeler under which two small studies were done, but there has been no further authorization to proceed). He also asked if PUD employees involved in the mediation project would be drawing overtime (Manager Warner replied that all PUD participants were salaried and would receive no additional compensation for their involvement in the mediation process).

Commissioner Johnson asked for clarification regarding *The Chronicle's* article that said the projected cost of fiber is higher than anticipated at \$1.3 million for the line to the Methow Valley (*staff noted the cost for cable to Twisp is actually lower than anticipated*). Commissioner Johnson also discussed the article on leasing a portion of fiber for \$1 million that said Trimble was in disagreement (with Johnson). (*Rich Trimble noted that his analysis was based on a formula for lump sum payments, and that the District approved continued negotiation*).

With regard to mediation, the Commissioners agreed that any requests by participants to contract for additional research or development would require Board approval.

Maeyowa commented and asked questions regarding the mediation process.

6. NWPPA Communicator's Award:

Manager Warner announced that Debra Peters, Energy Services Coordinator, won an award in the 2002 Excellence in Communication Competition among 140 utilities/members of the Northwest Public Power Association. Ms. Peters was awarded third place in *Product Marketing Newspaper Ad* for the entry, "Shed Some Light."

7. Magi Con-Aug Contract:

Rich Trimble reported that BPA recently approved a proposal by Magi to participate in the Conservation-Augmentation (Con-Aug) program under a contract between BPA and Okanogan PUD. Magi's conservation improvements are estimated to cost \$1,040,000, and the projected annual electrical bill savings are \$200,000. BPA would contribute up to \$600,000 of the project based on verified installation of measures and verified energy savings. The conservation measures are expected to reduce Magi's electrical load by 4.2 million kilowatt hours per year, resulting in a decrement to the District's Block contract with BPA of an average 0.5 megawatts over four years beginning October 1, 2002. The decrement can be reduced to 0.4 megawatts if the calculated savings from the measures actually installed are less than the estimated savings. The Con-Aug agreement provides for one year's auditing of verified energy savings and a termination provision. The economic effect to the PUD would also be the loss of about \$60,000 of annual net revenue from Magi.

BPA will not allow any of the revenue loss to be covered by the \$600,000 BPA grant.

In discussion with Magi's President, Jim Divis, it was agreed that the contract between the District and Magi would provide for auditing verified savings each year of the four-year period.

BPA Account Executive, Garry Thompson, addressed contract termination liability. In the event the District terminated its Power Sales Contract with BPA, the 0.5 MW would not be returned. In the event of termination of the Con-Aug agreement, the initial payment (\$480,000) would be prorated and a reimbursement made to BPA if the savings did not equate to the initial payment. If the savings were greater than 0.5 MW, BPA would hold the decrement at 0.5 MW.

There was concern expressed if conservation does not occur over the four-year audit period. The staff will address this matter and report back to the Board. The Board also directed staff to negotiate for a return of our block entitlement in the event of contract termination.

Commissioner Johnson moved to authorize management to proceed with the Con-Aug Contract for the Magi project, taking into consideration the concerns expressed and warranties; Commissioner Rowland seconded; motion passed.

8. Sub-Basin Planning - Garry Thompson, BPA:

Garry Thompson and Rob Swedo of Bonneville Power Administration (BPA) presented information on the Columbia River Sub-Basin Planning for salmon recovery efforts. Mr. Thompson noted that spawning counts are at the highest level since records were kept in 1938. BPA provides funding to the Northwest Power Planning Council (Council) to support development of planning efforts. Once developed, the Council will make recommendations to BPA on salmon recovery projects to be funded. BPA and the Council believe the Sub-Basin Planning, which is under the Endangered Species Act (ESA) requirements and will help meet some of the objectives in the Biological Opinion (BiOp), is a better process for the use of ratepayer dollars and has a greater chance of success with local development. The BiOp addresses operation of the Federal Columbia River Power System. BPA plans to integrate the BiOp and the Council program to meet overall ESA requirements. The local 'Columbia Cascade' planning effort is expected to begin in fiscal year 2003. Additional information is available from the Upper Columbia River Salmon Recovery Board and Chris Fisher of the Colville Tribe.

The Manager strongly recommended that the Canadian interests be included since they were not previously, as 80% of the Similkameen River is in Canada.

9. Resolution No. 1240 - SEPA Appeal Procedure:

Manager Warner presented Resolution No. 1240 establishing the SEPA appeals process and eliminating administrative appeals. Resolution No. 1240 amends Section 7 of Part Seven of Resolution No. 980, which adopted by reference WAC 173-806-155. That WAC, in turn, adopted by reference WAC 197-11-680, which provides that the District may either provide an administrative appeal to the local legislative body (the Board of Commissioners) or may eliminate such appeals by resolution.

This modification to the District's SEPA appeal policy would eliminate appeals to the PUD Board of Commissioners. Future appeals of SEPA decisions reached by the District would proceed directly to Court. This change was prompted because a SEPA appeal to the PUD Board is not necessarily viewed by the Appellant as a neutral, disinterested process. This modification to District policy only affects SEPA actions. Appeals regarding other District actions would still be considered by the Board.

Commissioner Johnson moved to adopt Resolution No. 1240; Commissioner Rowland seconded; motion passed. The Resolution will be presented for signature following a revision to clarify that the District is repealing Section 7 of Part Seven of Resolution No. 980, and that Section 7.1 is not changed and will be retitled as Section 7.

10. Public Comment:

The Manager introduced Jay Vander Weide, a District warehouseman, who was invited to attend the Commission meeting.

Maeyowa said she appreciated the efforts of BPA and the utility in making the power situation friendlier to all living species.

Kathleen Hirschstein asked questions regarding the SEPA appeal procedure. Attorney Howe explained the appeal process.

11. Meetings:

The next Okanogan PUD Board meeting is scheduled for July 23, 2002.

12. Lynn Barnett - Nine Mile/Twin Creeks Developments:

Lynn Barnett of Tacoma Land Company addressed the Board regarding his request to have the capacity charge payment for his Twin Creeks Ranches development extended over a five-year period.

On May 28, 2002, the Board approved a proposal for Tacoma Land Company to pay the capacity charge of \$41,203 for the 16-lot Twin Creeks development in the Crawfish Lake area over a period of five years, subject to a secured bank line of credit and completion of commitments to the District for the Nine-Mile development. On June 11, 2002, the Board suspended that approval because

the obligations on the Nine-Mile Ranch development had not been satisfied. Since that time, Mr. Barnett has satisfied the Nine-Mile development payment obligation. The provision for a substation site has not been satisfied, but Mr. Barnett agreed to resolve that issue with the District's Chief Engineer, Derek Miller, following the meeting. Mr. Miller proposed that the District enter into a four-year capacity charge payment plan for the Twin Creeks development.

Commissioner Johnson moved to enter into an agreement with Lynn Barnett of Tacoma Land Company to pay the capacity charge for the Twin Creeks development over four years at \$10,300 per year, subject to a bank guarantee and the PUD not having to enforce that guarantee, and on the condition that the substation site for the Nine-Mile development is first settled; Commissioner Rowland seconded; motion passed.

13. Wenatchee Valley College luncheon:

The Board recessed at 11:56 a.m. to attend a luncheon and informational session hosted by the Wenatchee Valley College regarding the Institute for Rural Innovation and Stewardship, an initiative for revitalizing the economic health of communities supported by agriculture.

The Board reconvened into open session at 1:45 p.m. There being no further business to discuss, the meeting adjourned at 1:45 p.m.

Darrel E. Bunch, President

ATTEST:

Donald W. Johnson, Vice-President

James G. Rowland, Secretary