

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan January 14, 2003**

Present: Board: Darrel Bunch, Donald Johnson, David Womack
Staff: Harlan Warner, Donald Coppock, Derek Miller, Larry Felton,
Joy Schultz, Jerry Day, Steve Brown, Debra Peters, Marla Davis,
Julie Pyper
Other: Michael Howe, Legal Counsel
Public: Dave & Esther Johnson, Kathleen Hirschstein, Ann McCreedy,
Lorah Waters, Stuart Gillespie, John Andrist, Dena Byl,
Don Brantner

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. Oath of Office
5. Approval of Transfer of Accounts
6. Public Comment
7. Report on Billing Software RFP – Jerry Day
8. Solar Demonstration Project Report
9. Methow Mediation Report – Sara Pedrick
10. Power Supply Report – Larry Felton
11. Telecom Report
12. Twisp Fiber Bid Award
13. Board Meeting Schedule
14. Tensioner Purchase
15. Reorganization of the Board
16. WPUDA
17. Public Comment
18. Meetings
19. Executive Session – Personnel & Property Purchase

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the December 17, 2002 regular meeting; Commissioner Womack seconded; motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

02-2&3 Karen Olsen, Llewellyn Lane\$785

Minutes of the Okanogan PUD Board of Commissioners

January 14, 2003

02-0116	NC Construction/District Revision, Hanson Rd., N. of Malott	10,377
02-0212	Lavada Fry, East River Rd., Omak	2,971
02-0218	Colville Tribe Health Program, Community Center, E. Omak.....	721
02-0219	Ted Harrison, Country Estates, Sand Flats Rd., Omak.....	538
02-0220	District, Okanogan	1,606
02-0448	Raymond Cockle, Hwy. 97 – 1 mile N. of Tonasket.....	1,850
02-0450	Jerry Vanatta, Ellisforde at Allen Cut Off (Rev. #1)	965
02-0452	District, Jennings Loop	1,100
02-0453	District, Ellisforde.....	550
02-0454	Ron Wahl, Bob Neal Rd. & Hwy. 97	2,351
02-0455	Wes Visser, Lot 8, Valley View	2,850
02-0456	District, Brower Way (Summit Lake Rd.)	700
02-0458	District, Whitestone Substation	2,158
02-0690	Methow Valley Recovery Foundation, Twisp River Rd. (Rev. #1)	8,509
02-0720	Donna Bajelis, 103 Ross Rd., Twisp	3,499
02-0721	Tracy Ebbert/Methow Wireless, Ash St., Twisp	1,644
Total		\$43,174

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

3. Approval of Vouchers:

Vouchers No.'s 74614 through 74745 in the amount of \$1,367,201.63, No.'s 74746 through 74776 in the amount of \$179,436.89, No.'s 74777 through 74819 in the amount of \$112,596.69, No.'s 74820 through 74850 in the amount of \$170,743.90, No.'s 74851 through 74870 in the amount of \$10,226.75, and No.'s 74871 through 75097 in the amount of \$406,899.83 were approved for payment from the revenue fund.

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

4. Oath of Office:

Attorney Howe administered the oath of office to David A. Womack as elected PUD Commissioner for District No. 1.

5. Transfer of Accounts:

The following accounts were submitted for write-off/collection due to nonpayment:

Anderson, Jewell	\$79.91
Arellano, Juan Jose	33.92

Minutes of the Okanogan PUD Board of Commissioners

January 14, 2003

Bellah, Alissa	76.71
Bigelow, Mike	60.51
Blackburn, Charles W.	48.88
Boyle, Janet	122.86
Burch, Stephanie	162.68
Byrnes, Susan	88.83
Byrnes, Susan	51.83
Collins, John	134.45
Curry, Paula	23.20
Draper, Lorena P.	21.58
Durante, Jeff	48.48
Escarcega, Jennifer & Mario	40.06
Espineira, Louis	200.86
Fry, Lawrence	191.61
Gardee, Lee A.	50.26
Gonzalez, Daisy	310.90
Grove, William	88.26
Hensey, Sharon	125.77
Hettich, Crystal	72.84
Meyers, Nick & Lyon, Melissa	55.58
Miller, Kenneth	16.73
Moore, Colyn D.	14.45
Olson, Dan	193.30
Owhi, Rose	400.84
Pahrman, Mark	116.84
Perez, Conchita	203.36
Pierre, Deanna	21.96
Potter, Ron	19.90
Ramirez, Candelario	52.23
Reyes, Molly	34.41
Romero, Hortencia	259.92
Salas, Betty	52.80
Schmidt, Diane K.	412.27
Stanger, Yvonne	157.55
Stockton, Donald & Selene	79.70
Strickert, Pamela & Zulkowski, William	53.54
Thompson, Angela	169.73
Timentwa-Cutfinger, Tonya	2.68
Tonasket, Dacia	63.74
Trovillo, Nancy Jane	96.50
VanDyke, Heather & Timothy	208.28
Wapato, Glenn	68.19
Withrow, Amelia	154.25

Total:\$4,943.15

In Addition, the balance of \$87.11 was submitted for transfer from closed account 16815-3 (wind machine) and the balance of \$87.11 from closed account 16816-1 (wind machine) to the residential account of Craig D. Lamoreaux, account 16062-2.

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

6. Public Comment:

Manager Warner introduced Marla Davis, a Distribution Engineer in the Okanogan office.

7. Report on Billing Software RFP – Jerry Day:

Jerry Day reported that the software evaluation committee has recommended the District not proceed with a software upgrade at this time. This recommendation is based on a number of factors, including limited staff time availability, longer than previously forecasted developmental time, and the prospect of other available software at competitive prices. Mr. Day noted that not proceeding with the new software will increase the cost of the mandatory Itron upgrade by \$8,000. In addition, with the current archive system unsupported, the District would have a limited period of 99 days to replace the system in the event of failure. There is also a risk of regulations changing before the District moves forward with another operating system. The estimated cost to support archiving with the current system is \$35,000.

The Board approved the staff’s recommendation to not proceed at this time with the software upgrade. Commissioner Johnson indicated, however, that he would like the problems with the current budget system taken care of if the District does not acquire a new system. The staff intends to work toward utilizing unused aspects of the existing software system for the next year’s budget.

8. Solar Demonstration Project Report:

Derek Miller reported that he received three solar package quotes for the solar demonstration project. Because a 2 KW unit is not a standard “off the shelf” unit, a work order was drafted based on the cost of installing one 1.5 KW system on the south side of the roof of the PUD building in Okanogan. The estimated cost of \$18,790 includes labor for PUD staff and solar installation technicians. The installation would also include mounting hardware, grid intertie, and system performance monitoring equipment. This pilot project would be used to provide training for PUD staff, local contractors, schools and interested customers. Mr. Miller also requested that PUD staff prepare an RFP detailing the PUD solar demonstration project, providing local contractors more time to submit proposals.

The Board approved the work order for the first solar demonstration project on the PUD building

in Okanogan. Because the \$30,000 budgeted for Phase II is insufficient to cover the cost of two systems, ratepayer interest will be determined before a second location is developed. With the conclusion of Phase I, the Conservation Department staff will identify areas where other assistance may be needed. Additional services will require a scope of work, deliverables, cost estimate and contract.

The Board addressed the misunderstanding regarding funding of REAP's involvement in the solar demonstration project beyond Phase I. Lorah Water's November invoice included an hourly rate increase from \$15 to \$25 and attendance at a green power marketing conference not previously approved by the Board. Derek Miller proposed that the PUD pay Lorah Water's invoice at the \$15 per hour rate and split the green power marketing conference (PUD 8 hours and Lorah Waters 8 hours). The balance due of \$556.78 would be paid out of the \$30,000 balance for Phase II.

Commissioner Johnson moved to proceed with Derek Miller's plan to compensate Lorah Waters; Commissioner Womack seconded; motion passed.

9. Methow Mediation Report – Sara Pedrick:

Sara Pedrick delivered a report on the mediation progress regarding the Methow Valley power supply. She read from a number of letters in which the participants were asked to individually provide a statement on the status of mediation and when the process might be concluded. Based on the responses, Ms. Pedrick expects the process to be concluded by March 1, 2003. She will present a final report to the Board after that date.

Commissioner Womack moved to extend the mediation process to the first Commission meeting in March 2003; Commissioner Bunch seconded; motion passed.

10. Power Supply Report – Larry Felton:

Larry Felton reported the District had calendar year 2002 net sales of \$3,166,832. Substantial surpluses are expected for the next two years. Those surpluses are a result of recent contracts for renewable power generation from the Colville Tribe (biomass-waste wood), Energy Northwest (wind), and BPA "Slice" (0.5% of BPA hydro output), in addition to a 10% reduction in customer demand. Mr. Felton has proposed a power sales and purchase plan for 2003 to more actively manage the District's firm surplus power by selling forward because the District is looking at substantial firm energy surpluses. After discussing forward sales options and associated risks, he recommended the surplus firm energy the District has going forward through 2003 be marketed, with one-half on a long-term basis and the other half on a month-ahead basis, with sales actually performed at the discretion of staff at the time sales are made. The District's non-firm energy would continue to be sold into the daily market as it is now. Mr. Felton will consult monthly with the Board the first meeting after the close of the previous month. Total surplus sales are estimated to exceed \$4 million in 2003.

Commissioner Johnson moved to adopt Larry Felton's proposal with the stipulation that he report monthly for Board consideration; Commissioner Womack seconded; motion passed.

Mr. Felton also updated the Board on the current status of the CIPV substation, which the District will maintain at CIPV's expense. CIPV will generate 10 MW to the District, which will free up capacity at the Okanogan substation. The substation is expected to be energized in early summer 2003. Mr. Felton discussed a draft amendment to the District's CIPV Power Purchase Agreement to formalize the agreement.

A Nine Canyon Wind Project monthly performance summary was distributed, which showed a slight under-run of projected and actual cumulative generation due to lower than average wind speeds of the project through December 2002.

The District staff requested approval to enter into an "umbrella" Power Transmission Agreement with two new potential customers -- Coral Energy and Puget Sound Energy. The Agreement would enable the parties to enter into transactions with each other if a sale is implemented. The District has about 15 other signed umbrella Agreements.

The Board approved Power Transmission Agreements with Coral Energy and Puget Sound Energy.

Mr. Felton noted that the District is entering into the second year of the 10-year Slice Agreement, and the Slice group has the right to audit BPA's books to see if any funds were mis-assigned to Slice instead of all members. A cost-sharing umbrella agreement would provide payment of \$250,000 to commence the audit (Okanogan's share would be about \$5,000). If the audit cost escalates to \$2 million, Okanogan's share would be about \$40,000. A Slicer's retention agreement to employ an audit firm provides for a task order to be attached to a Slice purchaser's group cost-sharing umbrella agreement. The members can quit individually or collectively, but it is in the best interest of the members to support the group in the interest of saving dollars.

Commissioner Womack moved to participate in the audit up to the first phase; Commissioner Johnson seconded; motion passed.

Mr. Felton also discussed a Slice "true-up" fee of \$50 million (Okanogan's share of \$1.1 million is due in three months) based on BPA fiscal year costs from October 1st through September 30th.

Early in the budget process to implement the Slice contract, BPA requested a Slice Computer Application (SCA) to send data to the Slicers' scheduling agents. BPA's original estimated cost for their SCA was \$800,000 in 2001. The final version was implemented today at BPA at a cost now over \$4 million (\$5 million estimated when done). In parallel with this, Okanogan PUD had to develop a computer interface with Douglas PUD to use the new BPA SCA. In June 2001, the District hired Accent, Inc., a computer software consultant, to develop this SCA interface at a cost to date of \$31,537 for Douglas PUD to schedule Okanogan's share of BPA's Slice power.

The Board recessed for lunch from 12:20 p.m. to 12:45 p.m.

11. Telecom Report:

Manager Warner reported that he and Joe Miller attended the NoaNet board meeting on January 7th. The Brewster School connection to the K-20 network is up and running and working well. The DIS is looking at this connection as a six-month pilot program. Okanogan PUD anticipates working with the DIS to connect the remaining schools in our District to the system.

NoaNet has negotiated a \$5 million line of credit with Bank of America for operating funds through 2006/ 2007. A special NoaNet board meeting is scheduled tomorrow to consider approval of the line of credit. For each incremental withdrawal of \$1 million, Bank of America will require NoaNet to provide evidence of the acquisition of \$750,000 in additional revenue over a three-year period.

The Manager and Telecom Manager attended a round table discussion in Olympia on January 8th with Senators Morton and Parlette regarding the provision of telecommunications by PUDs.

12. Twisp Fiber Bid Award:

Derek Miller noted that the estimated project cost of extending the District's fiber system to Twisp has been greatly reduced due to the price reduction of fiber-optic cable from \$3.85/foot to \$0.82/foot. Mr. Miller provided the Washington State Community Revitalization Board (CERB) with the revised project cost and discussed the affect this reduction could have on the District's \$400,000 CERB loan and \$400,000 CERB grant for financing the Methow Redundant Fiber Optics Link. The CERB Program Manager, Kate Rothschild, was advised that since this reduction may affect the CERB funding, the District will hold off awarding the fiber bid until more is known about possible changes in funding. Mr. Miller also advised Ms. Rothschild that due to the District's current financial condition, the District is not in a position to contribute \$500,000 as originally planned and would not extend fiber to Twisp without the assistance provided by the CERB funds. The CERB board will endeavor to respond this week.

13. Board Meeting Schedule:

With January 28, 2003 the last scheduled meeting, the Board set the following PUD Board meeting schedule:

- February 11th, 8:30 a.m., Okanogan PUD Auditorium
- February 25th, 8:30 a.m., Okanogan PUD Auditorium
- March 11th, 8:30 a.m., Okanogan PUD Auditorium
- March 18th, 6:00 p.m., Twisp Community Center (Methow Transmission Line Mediation Report)
- April 1st, 8:30 a.m., Okanogan PUD Auditorium

14. Tensioner Purchase:

Derek Miller discussed the option of purchasing a puller-tensioner for installing new overhead conductors and fiber more efficiently and with fewer safety concerns. The District has been renting a tensioner from Pacific Utility that was new when the rental period commenced. The tensioner can be purchased for \$5,000 plus tax (\$5,380 total), as Pacific Utility has agreed to apply District rental fees of \$22,000 toward the purchase.

Commissioner Womack moved to approve the tensioner purchase from Pacific Utility; Commissioner Johnson seconded; motion passed.

15. Reorganization of the Board:

The Board agreed to reorganize office and membership representation for 2003 as follows:

President	Donald Johnson
Vice-President	David Womack
Secretary	Darrel Bunch

Public Utility Risk Management Services	David Womack;	alternate Frederick Burke
Public Power Council	Harlan Warner;	alternate Donald Johnson
Energy Northwest	Darrel Bunch;	alternate David Womack
PUD Association	Donald Johnson;	alternate Darrel Bunch
PUD Association Round Table	David Womack;	alternate Darrel Bunch

16. WPUDA:

Manager Warner reported that the PUD Association’s Office Facilities Committee toured the proposed PUD office building at 210 Union Avenue in Olympia on January 9th, and reviewed the logistics on how the building would be purchased. The committee is working with an architect to determine the feasibility of tearing down the current structure and rebuilding. If the committee’s recommendation to purchase the property at \$500,000 is approved by the full board, a determination will be made on what to do with the building. The Seattle office lease is not up until April 2004, and the Olympia building would be self-supportive with the current renter until the WPUDA board makes a decision. The 2003 total operating budget expense for the purchase is \$182,651 (\$40,000 maximum would be available from reserves), with Okanogan PUD’s portion at 3.50% (\$6,092).

The Okanogan PUD Board approved supporting the purchase of the Olympia office property.

17. Public Comment:

There was no public comment.

18. Meetings:

Commissioner Womack traveled to SeaTac on January 9th to attend the Commissioners orientation and reception on January 10th.

In response to Ferry County PUD's invitation to attend a public meeting with legislative representatives on January 18th in Republic to discuss economic stability, it was noted that the Okanogan PUD Commissioners will be unable to attend the event.

19. Executive Session – Personnel & Property Purchase:

The Board recessed into executive session at 2:15 p.m. to discuss personnel and a property purchase. Attorney Howe departed the meeting at 3:05 p.m.

The Board reconvened into regular session at 3:35 p.m. Commissioner Womack moved to approve the Salary Schedule for Non-Union employees as presented; Commissioner Bunch seconded; motion passed. Commissioner Johnson voted no.

There being no further business to discuss, the meeting adjourned at 3:40 p.m.

Donald W. Johnson, President

ATTEST:

David A. Womack, Vice-President

Darrel E. Bunch, Secretary