

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan January 28, 2003**

Present: Board: Donald Johnson, David Womack, Darrel Bunch
Staff: Don Coppock, Derek Miller, Steve Brown, Julie Pyper
Public: Susie Ives

President Johnson 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. Renewable Green Power Survey
7. Report on Employee Day
8. Telecom Report
9. Twisp Fiber Bid Award
10. Bond Financing Schedule
11. Diesel Generator Report
12. Tacoma Land Company
13. Public Comment
14. Meetings
15. Road Maintenance & Abandonment Plan

1. Approval of Minutes:

Commissioner Bunch moved to approve the Minutes of the January 14, 2003 regular meeting; Commissioner Womack seconded. Commissioner Johnson requested amendments to the Minutes and the following additions to Item 10. Power Supply Report:

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.

Total surplus sales are estimated to exceed \$4 million in 2003.

The motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

02-0199	Family Health Centers, Okanogan	\$1,781.00
02-0441	Roger Hammond, 240 Old Railroad Rd., Oroville	4,111.00
02-0459	David Feldman, 92 Frosty Creek Rd., Tonasket.....	10,518.00
02-0723	District/Kodo’s Noon Saloon, 154 Pateros Mall	1,572.00
02-0724	District, 477 Warren Ave. W., Pateros	1,260.00
03-0026	District, Alta Lake, Black Canyon, Texas Creek, Twisp-Carlton Rd.....	5,448.00
03-0027	District, Crawfish Lake.....	7,945.00
03-0028	Verle Sutton, 109 Ross Canyon Rd., Omak.....	835.00
03-0029	Methow Valley Salmon Recovery Foundation, Twisp-River Rd.....	2,141.00
03-0331	District, 514 June St., Twisp.....	821.00
03-0032	Tom Rise, Oroville-Toroda Creek Rd.	930.00
Total		\$37,362.00

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

3. Approval of Vouchers:

Vouchers No.'s 75098 through 75668 in the amount of \$860,610.59, No.’s 75669 through 75698 in the amount of \$153,679.00, and No.’s 75699 through 75776 in the amount of \$1,081,965.75 were approved for payment from the revenue fund.

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

4. Transfer of Accounts:

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

Abrahamson, Jeremiah	.....	\$58.25
Court, Rhys E.	.....	176.97
Edwards, Arnold Brian	.....	120.63
Gardee, Allison & Byron, Dick	.....	80.39
Gomez, Ivan & Melissa	.....	286.59
Gomez, Sheila & Stanger, Alicia	.....	85.32
Gottfriedson, Serge	.....	134.28
Harris, Rachel	.....	82.85
Jack, Teresa M.	.....	170.38
Perez, Vicente	.....	68.95
Thomas, Cecelia	.....	86.65

Wilson, Randall385.03

Total\$1,736.29

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

Commissioner Johnson noted that he received from Attorney Howe a copy of the statute addressing the issue of electrical disconnects during the winter. He asked if those duties are included in the District’s disconnect notice. At the conclusion of the meeting, Auditor Coppock provided a copy of the final notice, which provides the necessary information.

5. Public Comment:

There was no public comment.

6. Renewable Green Power Survey:

Derek Miller distributed a green power survey developed by the conservation department. The purpose of the survey is to determine the interest of PUD customers in a green power program. If there is a positive response from the survey, the District would begin collecting contributions to build a self-supporting renewable program. Such a program would allow customers to pay an additional monthly amount to support renewable energy sources such as biomass, solar and wind. Because of the high cost of direct mailing, the survey would be distributed as a billing insert. It is anticipated that District-wide coverage would take two months from the next billing cycle.

The Board approved distribution of the green power survey as a billing insert. Additional language will be included in the form stating that renewable power can be produced locally, thereby reducing transmission requirements while improving security and reliability. In addition to the amount that a customer would be willing to pay each month, the customers shall also have the choice of selecting “no interest”. It was suggested that the statement on returning the form to any of the PUD offices would be more visible at the bottom of the form. As an incentive for returning the survey, the Board approved an exchange program whereby each customer who returns their survey to any of the PUD offices would receive a compact fluorescent light bulb. The exchange program is subject to Derek Miller checking with Attorney Howe on the legality of such a program. Steve Brown will determine if the exchange program is eligible for C&RD funds.

7. Report on Employee Day:

Derek Miller reported that the Okanogan PUD offices were closed on January 17th to allow staff to attend an all-employee meeting. The agenda included telecom and management presentations, a guest speaker and service awards. Janet Funston was honored as Employee of the Year. The

guest speaker was Gene Sharratt, former Superintendent of the North Central Educational Services District. The meeting day and presentations were well received, and an employee evaluation was shared with the Board.

The Board noted the evaluations were very favorable of the Employee Day. However, in the interest of moral building, staff was asked to consider any concerns expressed as well as whether Employee of the Year should be by group.

8. Telecom Report:

Joe Miller reported that Cutthroat Communication's monitoring of the network is working very well. Cutthroat Communications has experienced some efficiency problems with Nortel Networks because of the District's network software change.

The K-20 pilot project has been in operation since November. K-20 has been monitoring the District's network for reliability, with the anticipation of connecting all schools in the State in the near future. K-20 is also extremely pleased with NoaNet, who is the overall first contact before the District or Cutthroat Communications in the event of a problem.

The District has fiber service order agreements to connect a total of 15 medical facilities. In addition, the District will be connecting three Omak schools to the network under an existing contract with the ESD. The installations are scheduled for completion this spring.

The Twisp fiber build is on hold pending progress by NCTeleserve. The Community Economic Revitalization Board (CERB) funds the District is slated to receive for the project are contingent on NCTeleserve commencing construction of its call center. Methow Online has agreed to contract with the District for one OC-3, but has not signed communication contracts. They have indicated that they have no problem making a business case for the first OC-3 with or without NCTeleserve, but making a business case for the second OC-3 without NCTeleserve is problematic. In either event, CERB funds are contingent on the PUD providing service (i.e., NCTeleserve proceeding with construction of its call center).

NoaNet is hosting a wireless technology seminar in Seattle on February 26th and 27th, which utility Managers and Commissioners are encouraged to attend. Additional information is available from Joe Miller.

9. Twisp Fiber Bid Award:

Derek Miller updated the Board on the CERB funding. With the project now estimated at \$851,000 (\$976,693 total including \$120,000 from Methow Online), the proposed percentages for the participants are: Methow Online 12%, PUD 26% and CERB 31% loan, 31% grant. Mr. Miller noted with that arrangement, the District's debt service would still be covered with two OC-3s. CERB's support, however, is based on NCTeleserve's call center providing jobs, and the NCTeleserve business plan is now projected to be a much smaller operation. Joe Miller noted

the questions that come to his mind are whether the District may need to consider locating another entity if NCTelescope is unable to fulfill its requirements, and if the District should consider how the fiber build to Twisp could be justified without CERB. He indicated that CERB would be contacting NCTelescope. In the meantime, the District will focus on its Ethernet build-out.

10. Bond Financing Schedule:

Don Coppock reported that staff met with Financial Advisor Alan Dashen on January 16th to discuss the upcoming bond sale. At that time Mr. Dashen recommended borrowing more than \$10 million (in the \$11 million range), but the District's year-end cash balance was better than he expected with sales for resale. He now thinks the District may be able to finance less than \$10 million and pay a portion out of cash reserves. The bonds would be taxable and tax exempt. Mr. Dashen is scheduled to present detailed information at the February 11th Board meeting. Mr. Coppock said the District is looking at a 20-year bond sale, however, Mr. Dashen will also have available 15-year information. He noted that Mr. Dashen is being conservative and allowing for fluctuations in the bond market. There are tentative travel plans to meet with the rating agencies in San Francisco on February 19th – 20th. It is expected that the sale of bonds would occur in March 2003. The District staff has discussed with Bank of America extending the term of the bank loan, however, the IRS only allows extending the term half of what the original term was.

11. Diesel Generator Report:

Derek Miller reported that it is the staff recommendation not to proceed with letting the diesel generators out to bid at this time. A potential broker indicated that the market for diesel generators is 10 – 20 cents on the dollar. Mr. Miller advised the broker that the District was not interested in anything below 80% because of its status with litigation. Mr. Miller recommends continuing with litigation and seeing what the market does.

The Board requested that staff keep them informed of all offers.

12. Tacoma Land Company:

The Board addressed a written request from Lynn Barnett of Tacoma Land Company to pay the capacity charge of \$32,024 for the backbone system to Twin Creek Ranches - Bobcat Short Plat in four equal annual installments.

The District has reached previous agreement with Mr. Barnett regarding payment of capacity charges. He is current on his payments and has fulfilled a previous stipulation by agreeing to a substation site for the Nine Mile development. An Irrevocable Letter of Credit was required on a previous arrangement, however, in the event of default on the present request the customer requesting service would pay the capacity charge.

Commissioner Bunch moved to grant Lynn Barnett of Tacoma Land Company a four-year payment schedule of the capacity charge on the Twin Creek Ranches – Bobcat Short Plat project; Commissioner Womack seconded; motion passed.

The Commissioners indicated that all similar requests from customers in the future would continue to be considered on a case-by-case basis following the same guidelines.

13. Public Comment:

Susie Ives asked if it is the PUD's intention to sell the generators if the price goes up. She was advised that the Board had instructed management to aggressively pursue selling the diesels, but had not set a price and would probably not consider any offer less than 50%. The Board requested that staff keep them informed of all serious offers.

In regards to the proposed Farm Service Bill that has grant funding provisions for telecommunication services to rural communities, Ms. Buchert asked if the PUD is pursuing those funds and looking at available grant funds. She was advised that the telecom staff is in touch with Representative Nethercutt's office to insure the PUD is positioned for any funding possibilities that may become available from this source. In response to Ms. Buchert asking if CERB would still offer funding if the numbers went down significantly, she was told that CERB was asked to contact NCTeleserve directly.

14. Meetings:

Commissioner Johnson reviewed proceedings of interest from the Washington PUD Association meetings he attended in Olympia on January 16th and 17th.

The next Okanogan PUD Board meeting is scheduled for February 11, 2003.

15. Road Maintenance & Abandonment Plan:

Commissioner Bunch expressed concern with the impact Road Maintenance and Abandonment Plans (RMAPs) might have on the utility's ability to maintain the present distribution and transmission systems. RMAPs require landowners whose property contains private roads to submit a plan to DNR detailing how and when roads will be upgraded or abandoned at landowners' expense. Landowners might not be willing or able to upgrade and maintain roads to the strict standards outlined in this regulation. Responsibility could then fall on the utility as part of any easement agreements we might have with individual property owners.

Derek Miller noted that the PUD staff is working with DNR directly regarding the District's mapping issues, but he hasn't seen any impacts with the rest of the system. On maintaining right of way, the District has assumed that responsibility with its easements and will mitigate any problems.

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The Board suggested that the PUD ask its lobbyists what they think.

There being no further business to discuss, the meeting adjourned at 10:23 a.m.

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Donald W. Johnson, President

ATTEST:

David A. Womack, Vice-President

Darrel E. Bunch, Secretary