

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan March 11, 2003**

Present: Board: Donald Johnson
David Womack, Darrel Bunch
Staff: Harlan Warner, Don Coppock, Derek Miller, Larry Felton,
Joe Miller, Don Clutter, Debra Peters, Steve Brown, Julie Pyper
Other: Michael Howe
Sara Pedrick
Public: Dave & Esther Johnson, Michelle Mondot, Maeyowa, Susie Ives,
Lorah Waters, Kathleen Hirschstein, Rosey Hough, Roger Bauer,
Dan Maples, John Umberger

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. Schedule Commission Meeting Dates
7. Revise Resolution No. 832 – Definitions, Resolution No. 1252
8. Mediation Report – Sara Pedrick
9. Power Supply Report – Larry Felton
10. Telecom Report – Joe Miller
11. Bond Sale
12. Public Comment
13. Meetings
14. Executive Session – Litigation/Personnel
15. Bond Sale

1. Approval of Minutes:

Commissioner Womack moved to approve the Minutes of the February 25, 2003 regular meeting; Commissioner Bunch seconded.

Commissioner Johnson moved to amend the Minutes to insert the following language in *Item 8 – Telecom Report*:

Interest has been expressed for services in the Valley, which if contracted would provide \$8,708 per month in revenue. A total of \$10,371 per month in contracted services would be necessary to finance extending fiber from Okanogan to Twisp.

The motion was not seconded.

Commissioner Johnson moved to amend *Item 9 – Effect of BPA SN CRAC Increase* by revising the following sentence and moving it to the end of the first paragraph:

~~A 25% SN CRAC will~~ This would increase the District’s total 2003 whole sale power bill by 1.8% (\$340,000).

Commissioner Womack seconded; motion passed.

Commissioner Johnson moved to amend *Item 12 – Energy Conservation Loan Program* to insert the following language:

Policy has been set to limit the amount any single entity could receive from the PUD as an interest-free loan. Currently a customer is a person or business entity and is limited to a single interest-free conservation loan (maximums \$10,000 for a residence and \$25,000 for a business). The formalization of a meter as a customer would allow individual entities to receive multiple interest-free loans dependent on the number of meters/accounts for which they are responsible.

The motion was not seconded.

Commissioner Johnson moved to amend *Item 14 – Public Comment* to add:

The Commissioners stated they were eager to work with any customer co-op group that might provide retail services at acceptable rates.

Commissioner Womack seconded; motion passed.

There was discussion regarding the Board’s previous agreement on November 27, 2001 that the Minutes would include a brief description of the subject matter and the action or vote taken. Commissioner Johnson noted, however, that he would like all aspects of the meeting discussions represented in the Minutes to reflect all views of the Commissioners. Commissioner Womack noted that the city council he previously represented was advised by its insurance company to not record meeting minutes.

2. Approval of Work Orders:

The following work orders were submitted for approval:

99-0660	District, Brewster	\$211,000.00
01-0425	Pacific Calcium, Inc., Ellisforde (Rev. #1).....	8,087.00
02-0181	District, Okanogan-Twisp.....	17,500.00
02-0617	District, Burma Rd., Pateros	31,028.00
03-0040	District, Twisp	1,138.00
03-0045	Christie & Robert Nolin, 25 Ross Rd., Twisp (Rev. #1)	646.00
03-0078	District, Brewster/Pateros	29,160.00
03-0079	Mark Morris, Hwy. 97 N. of Oroville.....	1,315.00
03-0080	District, N. Pine Creek Rd. & Hwy. 7	1,475.00
03-0082	District, 25695 Hwy. 97, Brewster	3,146.00
03-0083	District, 547 Valley Rd.	540.00
03-0084	Kirk Jayne, Spring Coulee Rd.	2,750.00

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03-0086	District, 249 Twisp-River Rd.....	1,788.00
03-0088	District, Pacific Calcium, Inc., Ellisforde.....	1,475.00
Total		\$311,048.00

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

3. Approval of Vouchers:

Vouchers No.'s 76129 through 76178 in the amount of \$401,394.51, No. 76179 in the amount of \$163,417.00, No.'s 76180 through 76208 in the amount of \$165,812.94, and No.'s 76209 through 76327 in the amount of \$250,310.47 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 staff requested approval to transfer the balance of \$91.19 from the closed commercial account #36740-9 of Riverside Saloon to the owner's residential account #24070-5 in the name of Kenneth Cyr.

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

5. Public Comment:

Maeyowa noted that PUD decisions affect all ratepayers, and she recommended that the Minutes be recorded.

Kathleen Hirschstein thanked Harlan Warner and Derek Miller for participating in mediation and the Commissioners for supporting the process. She expressed interest in further participation on an individual basis. She also thanked Don Johnson for his persistent efforts with regard to the Minutes and requested that the Board begin tape recording the Minutes.

Rosey Hough noted that on the school board she represents, any public comment recorded in the Minutes must be presented in writing.

Lorah Waters inquired as to the PUD's website address, which is www.okanoganpud.org.

Esther Johnson commented on Ms. Hirschstein's mediation working paper, and thanked Messrs. Warner and Miller for attending the mediation meetings.

In regard to dealing with environmental impact, Dave Johnson noted that the most critical people in the nation are present at the meeting today.

Michelle Mondot said the PUD is a public utility and people need to be informed.

There was also discussion on the Board Highlights currently compiled by Steve Brown. Differing opinions were expressed regarding whether the Highlights should include the Commissioners' input. The staff noted that the Board Highlights arrived out of strategic planning as a means of informing staff, and they also allow the public and press to receive meeting information before the Minutes are approved at the next meeting.

Commissioner Johnson moved to eliminate the Board Highlights job of Steve Brown; Commissioner Bunch seconded to open the matter for discussion. Commissioner Bunch abstained from voting even though he seconded the motion because he said there needs to be more time spent on the issue and he would like to establish a policy regarding the Minutes. The motion passed.

Commissioner Johnson moved to establish Julie Pyper as the official recorder of the Minutes. She will distribute within one week of the Board meetings a copy of the Minutes as taken to management and Commissioners. Upon receiving the Minutes, those individuals have the option of forwarding input to Ms. Pyper to compile and make available in the packet to the Commissioners for the next meeting; Commissioner Womack seconded; Commissioner Bunch abstained regarding the text of Minutes as he wants more time spent on the issue and he wants to review the duties and authorities of commissioners. The motion passed.

6. Schedule Commission Meeting Dates:

The following Commission meeting dates were scheduled:

March 18, 2003, 6:00 p.m., special meeting at The Merc Playhouse in Twisp regarding mediation and related issues.

April 1, 2003 - cancelled.

April 15, 2003, 8:30 a.m., Okanogan PUD Auditorium.

April 29, 2003, 8:30 a.m., Okanogan PUD Auditorium.

May 13, 2003, 8:30 a.m., Okanogan PUD Auditorium.

May 27, 2003, 8:30 a.m., Okanogan PUD Auditorium.

7. Revise Resolution No. 832 – Definitions, Resolution No. 1252:

Resolution No. 1252 was presented amending Resolution No. 832 to clarify the definition of “customer” in the District’s rate schedule policies.

Commissioner Bunch moved to adopt Resolution No. 1252; Commissioner Womack seconded; motion passed.

8. Mediation Report – Sara Pedrick:

Following eight months of weekly mediation meetings regarding the issue of power supply to the Methow Valley, Sara Pedrick delivered her final report. The report represents the major disagreements, agreements and recommendations of the mediation group, and the areas of concern that remain inconclusive. With the transmission issue in mind, the group focused on three major concerns and ranked them in order as environment, reliability and cost. Attention was also given to growth, usage, demand and conservation.

Ms. Pedrick’s conclusions were based on the mediation meetings and fourteen assessment tools, which included the group’s evaluation of their individual statement papers (a total of 2,413 responses). Ms. Pedrick noted a lack of consensus on the mediation issue, although reliable energy was valued by all participants. She also indicated that the mediation group is not a statistically accurate poll of the county on this issue.

The mediation participants have been provided a copy of the final report. The participants will have an opportunity on or before March 18, 2003 to endorse the accuracy of the report and include on the signature page any additions and/or comments they wish to be considered. The mediation report and related issues will be the agenda topic for the March 18, 2003 PUD Board meeting at 6:00 p.m. at The Merc Playhouse in Twisp.

The Board and staff thanked Ms. Pedrick for her mediation efforts.

9. Power Supply Report – Larry Felton:

Larry Felton reported that the current year is shaping up to a half to medium water year and is right on target with the budget projections (half to medium is 75% of medium). The Columbia River is 78% of normal, and the rest of the region is about 75% (50% of medium is drought). Most of the District’s power comes from Wells Dam and the Columbia River. Loads are down partly because of the mild winter, which frees power to sell on the market. Power market prices are quite high right now and the District has been making consistent sales of 80 mills, with a high last week of 120 mills. The District has netted for a two-month period \$600,000 over revenue from wholesale sales.

Mr. Felton noted in reporting the 2003 effect of BPA’s proposed SN CRAC (\$340,000 assuming 25%), that the proposed increase is actually 20% because he had already accounted for 5% in the original budget.

At a recent Nine Canyon purchasers meeting, it was reported that 7 of the 30 machines were

turned off because the wind exceeded 50 mph. As an owner of this resource, we're getting what we hoped for -- a 35 mill market with sales in the temporary 80 mill market.

Energy Northwest is proposing to expand the Nine Canyon wind farm. Energy Northwest currently has 37 machines producing 48 MW (Okanogan PUD purchases 25% of the output). The expansion is for 42 MW of capacity (1.3 MW each).

Mr. Felton recommended the Board consider an additional 6 MW of the proposed 42 MW capacity, for a total of 18 MW (the participants are restricted to 25% of the total project). The average cost of the whole project is expected to drop to 32 mills when the District signs up for 6 MW.

The proposed expansion will be a Board agenda item after Mr. Felton determines the District's commitment. A letter of interest will then be sent to Energy Northwest.

Mr. Felton reported that the District's loads have dropped 12% since 2000, but with weather normalization that figure is closer to 10% -- with the 10% equally divided between economic downturn and impact from 2001 rate increases.

10. Telecom Report – Joe Miller:

Joe Miller noted that the Ethernet circuit the utility builds to a customer far exceeds the bandwidth of the retail ISPs' upstream Internet. Without a rate-limiting mechanism in place, it would be possible for one user to take all the bandwidth on the ISP Internet VLAN, resulting in very poor service to the other customers. An ISP could solve this problem by installing a rate-limiting switch at the customer premises; however, Okanogan PUD is already providing a switch as a demarcation for its Ethernet circuit that can provide rate-limiting. Therefore, Mr. Miller proposed that the District offer this rate-limiting function for a fee of \$10 per month, per port, which would cover the additional operation and maintenance costs associated with providing the service and is half the cost that a retailer could offer. He suggested a rate limit set-up fee of \$30 per incident to help recover costs.

Mr. Miller also noted that the District currently sells wholesale Internet in half megabit increments, and would like to offer a rate for one-tenth megabit of wholesale Internet. Existing and potential customers have requested smaller quantities and inquired if the District offers a quantity discount. In this regard, he presented a listing of proposed rates.

The Board requested the topic of rates be presented at a meeting that retailers are invited to attend. Mr. Miller was requested to prepare a Resolution listing the proposed network rates for the Board's consideration.

11. Bond Sale:

Manager Warner indicated the Bond pricing is scheduled for Thursday a.m., March 13, 2003,

and that it would be necessary for the Board, at the conclusion of today's meeting, to recess until 1:30 p.m. on March 13th to approve the sale of the Bonds.

It was determined that Commissioners Womack and Bunch would be present for the Board meeting, and Commissioner Johnson would participate by phone.

The District maintained its present bond rating of A-.

12. Public Comment:

Kathleen Hirschstein supported Ms. Hough's suggestion of submitting public comment in writing for inclusion in the meeting file. She also inquired as to the March 18th meeting agenda.

Rosie Hough suggested a time-frame be set for the March 18th presentations.

Michelle Mondot indicated that more time should be allowed at the March 18th meeting for the invited speakers.

Maeyowa submitted written comments, noting her willingness to continue to work with PUD staff on completing the fact-finding process. She indicated that PACE, MVCC, REAP, Kettle Range and Potelco have requested to be on the March 18th agenda. She said she is delighted to see the utility diversifying, i.e., the wind investment.

John Umberger submitted comments in support of the Pateros to Twisp transmission line. He said he is not interested in listening to the Petelco presentation if a hot line rebuild is not feasible in Washington State (with regard to Labor and Industries).

Rosie Hough said it was her understanding that the meeting on the 18th was to over go the mediation process and results -- not more presentations.

In regards to the March 18th meeting, Lorah Waters noted that people will hear a broad range of opinions, the subject matter should be broad enough to encompass the entire issue, and she hopes the information will be for the entire community.

Maeyowa noted that not everyone's input is included in the report. Ms. Hough explained the procedure Ms. Pedrick established for including information in the report.

The Board agreed that the March 18th meeting is intended for the public to hear the outcome of mediation, and that Sara Pedrick will be requested to deliver a summary of her report. The agenda will include Sara Pedrick's summary, other information that needs to be presented, and a question period.

Commissioner Johnson moved that those commenting during the public comment period come to

the front, give their name and make their comment. If comments are to be included in the Minutes, they need to be submitted in a written statement; Commissioner Womack seconded; motion passed.

13. Meetings:

Commissioners Bunch and Womack traveled to Olympia on February 27, 2003 to attend the Washington PUD Association Commissioners Round Table on February 28, 2003.

14. Executive Session – Litigation/Personnel:

The Board recessed into executive session at 12:30 p.m. to discuss litigation and personnel.

The Board reconvened into regular session at 1:45 p.m. The meeting was recessed to 1:30 p.m., March 13, 2003.

15. Bond Sale:

The Board reconvened at 1:30 p.m., March 13, 2003 to adopt the Bond Resolution approving the Bond sale. Participants included Commissioners Johnson, Womack and Bunch, Manager Harlan Warner, Auditor Don Coppock, Director of Finance Frederick Burke, Financial Advisor Alan Dashen, Bond Counsel Nancy Neraas and David Thompson of Preston Gates & Ellis, and Underwriter Jane Towery and Suzanne Eide of Banc of America Securities. It was noted that the sale of tax-exempt bonds and long-term taxable bonds went very well. The short-term taxable bonds sold for about a half point higher than projected. Mr. Dahsen recommended approval of the purchase offer.

Commissioner Johnson moved to accept the purchase offer from Banc of America Securities and authorize Harlan Warner to sign the Purchase Agreement (re: Electric System Revenue Bonds, 2003 - \$4,030,000 Series A and \$6,535,000 Series B (taxable); Commissioner Bunch seconded; motion passed.

Commissioner Johnson moved to adopt Resolution 1253 authorizing the issuance of two series of the District's Electric System Revenue Bonds in the aggregate principal amount of \$10,565,000 to finance improvements to the District's Electric System and repay an outstanding obligation of the District; providing the terms of the bonds; and approving the sale of the Bonds; Commissioner Bunch seconded; motion passed.

There being no further business to discuss, the meeting adjourned at 2:00 p.m.

Donald W. Johnson, President

ATTEST:

David A. Womack, Vice-President

Darrel E. Bunch, Secretary