

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan April 15, 2003**

Present: Board: Donald Johnson, David Womack, Darrel Bunch
Staff: Don Coppock, Derek Miller, Janet Crossland, Larry Felton,
Joe Miller, Dan Boettger, Julie Pyper, Steve Brown
Other: Michael Howe, Legal Counsel
Public: Susie Ives, Maeyowa, Kathleen Hirschstein

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. Treasurer's Report
7. Weatherization Loans - Mid Valley Hospital
8. Approval of Energy Northwest Undertaking Nine Canyon Phase II
- Resolution No. 1254
9. Nine Canyon Wind Power Purchase Agreement – Resolution No. 1255
10. Appoint Deputy Auditor and Assistant Deputy Auditor
- Resolution No. 1256
11. Jim Rowland – NWPPA Life Membership Award/
NWPPA Annual Meeting
12. Public Comment
13. Meetings
14. Executive Session - Litigation

1. Approval of Minutes:

Commissioner Bunch moved to approve the Minutes of the March 11, 2003 regular meeting; Commissioner Womack seconded; motion passed.

Commissioner Bunch moved to approve the Minutes of the March 18, 2003 special meeting; Commissioner Womack seconded; motion passed.

Commissioner Johnson noted the purpose in eliminating the Board Highlights was to have one set of Minutes instead of two. He proposed that Julie Pyper prepare and post to the Website a summary based on her unofficial draft of the Minutes. Commissioner Womack expressed concern with the Minutes being posted before they are officially approved. The Commissioners agreed that the Highlights were designed to distribute information to the staff and public as soon as possible because the Minutes are not approved until the following meeting. Steve Brown is

currently preparing an internal employee memo of the Board Highlights. Commissioner Womack suggested the matter be addressed later on the agenda.

2. Approval of Work Orders:

The following work orders were submitted for approval:

01-0204	Paulette Jacklin, Keystone Rd., Riverside	\$9,293.00
02-0128	Dennis Whitney, Rosewood Lane off Greenacres Rd. (Rev. #1)	2,161.00
02-0129	Carl Rhoades, 14 Rosewood Lane off Greenacres Rd.....	2,018.00
03-0002	District, N. Pine Creek Rd.	700.00
03-0050	William Ayers, Cameron Lake Rd.....	4,173.00
03-0061	Bill Ingram, Chiliwist Rd.....	6,524.00
03-0063	District, Spring Coulee	865.00
03-0073	Cary Winschell, Keystone Rd., Riverside	3,250.00
03-0075	District, Riverside Dr.	\$542.00
03-0076	Al Littlefield, Chiliwist Rd.	12,032.00
03-0077	District, S. Granite, Omak	1,010.00
03-0088	District, Johnny Appleseed Tap.....	1,207.00
03-0091	District, Omak.....	1,109.00
03-0092	District, 245 Twisp River Rd., Twisp.....	11,963.00
03-0094	District, 114 Glover St. S., Twisp.....	786.00
03-0096	District, Malott.....	1,402.00
03-0097	District, Various.....	4,125.00
03-0099	District, Highland Dr. & Summit Ave.....	1,800.00
03-0100	District, Tonasket.....	1,217.00
03-0101	District, Chopaka Rd.....	600.00
03-0102	Geoff Thornton, Hwy. 97 at Thornton Orchard.....	7,750.00
03-0103	District, Swanson Mill Rd.	903.00
03-0106	Mike Ray, Fritz Rd.	5,014.00
03-0108	Daryll Beeman, Hwy. 7 S. of Oroville.....	3,875.00
03-0110	Mike Nick, N. Pine Creek Rd. near Aeneas Lake	4,025.00
03-0111	District/Craig Lamoreaux, 6B Mtn. View Dr., Brewster.....	534.00
03-0115	Roger Rylander, 2 mi. E. of Tonasket – Hwy. 20.....	5,000.00
03-0116	Leo Culloo, Lot 28, Div. I, Nine Mile Ranch.....	4,125.00
03-0117	District, Frosty Creek.....	650.00
03-0118	Dale Ward, N. Siwash Creek Rd. near Razor Lake	4,475.00
03-0119	Dan Bayha, 74 Lakeview Way, Brewster.....	5,453.00
03-0120	District/Russell, Sunrise Rd. N., Malott	3,501.00
03-0121	District, Burma Rd.	24,818.00
03-0122	Jack Nickell, Hwy. 153 – MP 4.5	4,127.00
03-0124	District, Cottonwood St., Twisp	502.00
03-0125	District, 27057 Hwy. 97, Brewster	636.00
03-0129	District, 1639 Hwy. 153.....	758.00

Minutes of the Okanogan PUD Board of Commissioners

April 15, 2003

03-0130	District, 88 Cassimer Bar Access Rd., Brewster	732.00
03-0131	District, 246 Twisp-Carlton Rd.	671.00
03-0133	District, N. Star Rd. & N. Valley Rd., Brewster.....	12,851.00
03-0134	District, 221 Hwy. 153, Pateros	710.00
03-0136	John Sampson & Tina Derenzo, 2361 Hwy. 153, Carlton.....	900.00
03-0137	AgriMACS, Inc., 900 Hwy. 153	3,573.00
03-0138	District, N. Malott Rd.	938.00
03-0162	Mowat Construction, Oak St., Okanogan	637.00
Total		\$167,427.00

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

3. Approval of Vouchers:

Vouchers No.'s 76328 through 76390 in the amount of \$86,037.89, No.'s 76391 through 76421 in the amount of \$159,963.19, No.'s 76422 through 76512 in the amount of \$801,847.81, No. 76513 in the amount of \$20,099.57, No.'s 76514 through 76560 in the amount of \$1,885,393.02, No.'s 76561 through 76590 in the amount of \$166,904.46, No.'s 76591 through 76675 in the amount of \$126,437.69, and No.'s 76676 through 76747 in the amount of \$267,950.46 were approved for payment from the revenue fund.

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

4. Transfer of Accounts:

The account balances of National Men’s Council Against Abuse, c/o William Collins, (Account No. 23990-5 in the amount of \$420.96 and Account No. 23991-3 in the amount of \$114.50) were submitted for transfer to William Collins’ residential Account No. 34503-3.

The irrigation account balances of Jesus Palomares (Account No. 12300-0 in the amount of \$446.23 and Account No. 12299-4 in the amount of \$195.55) were submitted for transfer to Jesus Palomares’ residential Account No. 13091-4.

Invoice No. 3264 in the amount of \$2,838.13 was submitted for transfer to Don Barth’s electrical Account No. 17694. The invoice dated June 24, 2002 is for the cost to repair a damaged pole.

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

5. Public Comment:

Maeyowa distributed information to the Commissioners regarding issues pertaining to the

Methow transmission line. She said it has not been determined if an EIS would be needed for the other alternatives. She noted her dissatisfaction with rate increases specifically for the transmission line.

Based on the March 18th special meeting, mediation materials and public input, Commissioner Johnson presented a handout on some of the conclusions he has drawn regarding the Methow Valley power supply issues. Because he said he had a lack of knowledge to evaluate the input on the system analysis submitted and characterized as a misrepresentation, he requested that PUD staff critique each of the recommendations, conclusions and questions presented by Verne Donnet. The PUD's Chief Engineer, Derek Miller, requested to present a complete report on each line item at the next Board meeting.

Commissioner Womack suggested that Ellen Hall of Foster Wheeler discuss at a future meeting an EIS for the Pateros-Twisp line and a partial EIS on the alternate route. Commissioner Johnson did not favor spending money if an EIS was not needed and said that he was told by the Forest Service that lacking a controversy, an EIS might not be required. Derek Miller noted that the Forest Service cannot comment on the project without an engineering design.

Commissioner Johnson noted that the housing report from staff reflects that growth is higher in the Northern and Central areas. Larry Felton, as Power Resource Engineer, said he looks at the substation load rather than new hookups. He said the Southern area has grown the most over the last 10 years, and that Twisp and Winthrop together have grown more than Brewster. The Northern area has had a remarkable lack of growth. He said the District has lost 10% of its load in the last two years due to the economy and the price of elasticity with the rate increases. We are now roughly at the same load level as we were in 1997. In response to the question of whether the District could unilaterally interrupt service to the Co-op at Twisp if the PUD could not meet the load, Mr. Felton noted that the General Transfer Agreement provides that the District treat the Winthrop REA the same as a PUD customer. He noted two types of reliability for system planning – radial service area and improved radial service area. For example, the Methow is presently served over a single “radial” line. If the Pateros/Twisp line was built, then service to the Methow would be classified as “improved radial.” Reliability would improve because the existing Loup Loup line would then backup the Pateros/Twisp line and wouldn't necessarily have to be rebuilt. Mr. Felton said the best solution is to have two different routes from two different directions serving the entire load all of the time, as the strengthening of any part of the system helps the rest of the system.

Kathleen Hirschstein requested that the PUD state on record that the Pateros/Twisp route is the most environmentally degrading, because the PUD claimed in the past that the Pateros/Twisp route was the least environmentally degrading.

In regards to the rate increases, Auditor Don Coppock noted that the PUD operates under a five-year forecast for anticipated expenses. Prior to 2001, the funds were available in that plan for the Methow transmission line project. However, due to unplanned expenses in 2001 a decision was made to borrow for the transmission line in 2002's five-year forecast.

Susie Ives commented that Ellen Hall of Foster Wheeler said there would be more environmental impact with one route (Pateros-Twisp), but the routes are “comparable.”

6. Treasurer’s Report:

The Treasurer, Janet Crossland, presented a cash and investment report. The District had a balance of cash and investments on March 1, 2003 of \$18,714,355.53. With receipt of the non-taxable 2003 bond proceeds and the payoff of the 2001 bank note from reserves, the cash and investments as of March 31st stood at \$18,325,867.34. The allocated funds established by District resolution, the bond principal and interest set aside for the interest payment in June on the 2002 bonds, and 2002 and 2003 reimbursable bond construction funds reduced the amount available for operations as of March 31st to \$5,683,279.95.

7. Weatherization Loans: Mid Valley Hospital:

Steve Brown of the Conservation Department advised the Board that Mid Valley Hospital just finished a lighting retrofit project in the hospital building and a lighting retrofit and window replacement project on the clinic building. Two conservation loans were initiated by the hospital to pay for these projects. Mr. Brown noted the District has in the past secured an interest in property to which conservation services were rendered by filing a Notice of Claim of Lien, but that process has been changed to now require a Real Estate Mortgage for loans in excess of \$4,000. Hospitals are not allowed by State Statute to enter into Mortgage Agreements, however, in the event of insolvency, they are required to bill their district’s tax payers until all debts are satisfied.

Commissioner Johnson noted it was his understanding the Board had previously requested to be notified before two loans under different accounts for the same entity occurred. The Conservation Department indicated they felt they were authorized to initiate two loans based on the recent adoption of Resolution No. 1252. This Resolution, adopted on March 11, 2003, amended Resolution No. 832 to clarify the definition of a “customer” to include any legal entity who has an electric meter and/or account through which the District sells electric power. Conservation staff felt this clarification authorized the implementation of two loans to cover the cost of the two conservation projects at the hospital since the hospital and the clinic are on separate meters. Staff indicated the decision to authorize multiple loans is based on the ability of the applicant to adequately support multiple loan payments and the value in energy conservation of each individual loan – not just the number of accounts maintained by the customer. Commissioner Johnson felt the policy of allowing more than one loan per legal entity violated the definition of a “customer” because they were not separate customers. He said it is his intention for one individual to not receive a disproportionate share of the conservation loan funds. The Conservation Department’s total expenditures last year were well under budget, and Commissioner Bunch said budget-wise he didn’t feel there was a problem. Commissioner Womack suggested setting a limit so when the funds reached a certain point, the issue of multiple loans could then be addressed.

Commissioner Johnson moved that since a customer is restricted to one conservation loan, the Conservation Department shall present any exception to that rule to the Commissioners for approval. There was no second on the motion.

For purposes of clarifying the Conservation Department's needs, Attorney Howe suggested and Commissioner Johnson moved that any person or legal entity, regardless of the number of meters, is entitled to one conservation loan unless an exception is granted by the Commissioners. There was no second on the motion.

Attorney Howe said a legal entity is an LLC, and in the industry a customer is a meter (or a meter is a customer). He felt the Resolution needed further clarification. The matter will be placed on next meeting's agenda for further review.

8. Approval of Energy Northwest Undertaking Nine Canyon Phase II – Resolution No. 1254:

RCW 43.52.360 requires approval by a majority of the members of Energy Northwest in order for Energy Northwest to undertake the Nine Canyon Phase II Wind Project. In that regard, Larry Felton presented Resolution No. 1254 approving Energy Northwest's undertaking of the Nine Canyon Phase II Wind Project, contingent upon the execution of power purchase agreements and the receipt of all necessary permits and licenses.

Commissioner Bunch moved to adopt Resolution No. 1254; Commissioner Womack seconded; motion passed.

Attorney Howe noted that a letter was received from Nancy Neraas of Preston Gates & Ellis LLP regarding consent to representation of Energy Northwest. Preston Gates is acting as bond counsel for Energy Northwest for the issuance of its Nine Canyon Wind Project Revenue Bonds, Series 2003. In addition, Preston Gates serves as bond counsel to Okanogan PUD for its debt. Preston Gates has requested that the District consent to their bond counsel representation of Energy Northwest. In the event of any dispute between the District and Energy Northwest relating to the Wind Project, Preston Gates would not represent either entity in connection with such dispute.

Commissioner Bunch moved for the District to consent to the firm of Preston Gates & Ellis LLP to act as bond counsel for Energy Northwest for the issuance of its Nine Canyon Wind Project Revenue Bonds, Series 2003; Commissioner Womack seconded; motion passed.

9. Nine Canyon Wind Power Purchase Agreement – Resolution No. 1255:

Larry Felton presented Resolution No. 1255 authorizing the execution of a First Amended and Restated Power Purchase Agreement relating to the Nine Canyon Wind Project, Phase II of which will be financed with the Energy Northwest Wind Project Revenue Bonds, Series 2003.

Energy Northwest intends to issue its Wind Project Revenue Bonds, Series 2003 in the aggregate principal amount not to exceed \$21,780,000 to pay costs of Phase II of the Project. In order to sell the 2003 Bonds, it is necessary that participants in Phase II of the Project agree to pay a share of the annual costs of the Project and the debt service on the 2003 Bonds. Therefore, to accommodate such requirements applicable to Phase II of the Project, it is necessary to amend the Original Agreement and enter into a First Amended and Restated Power Purchase Agreement with Energy Northwest.

The District's current share of the project is 12 MW. Adding an additional 4 MW of capacity will bring that total to 16 MW of capacity and 5 AMW of energy.

Commissioner Bunch moved to adopt Resolution No. 1255 and to authorize the Manager to execute the First Amended and Restated Nine Canyon Wind Project Power Purchase Agreement; Commissioner Womack seconded; motion passed.

Mr. Felton advised the Board that the District will be making related transmission contract adjustments to increase the firm transmission made available to Douglas PUD for their increased share of Nine Canyon.

10. Appoint Deputy Auditor and Assistant Deputy Auditor – Resolution No. 1256:

Don Coppock noted that the Deputy Auditor position will become vacant when Joy Schultz retires from the District on April 30, 2003. It is necessary in the absence of the Auditor that someone be authorized to sign warrants and revolving fund checks. Therefore, he presented Resolution No. 1256 rescinding Resolution No. 1099 and appointing Kathy J. Gordon as Deputy Auditor and Marla J. Thompson as Assistant Deputy Auditor effective April 15, 2003.

Commissioner Bunch moved to adopt Resolution No. 1256; Commissioner Womack seconded; motion passed.

11. Jim Rowland – NWPPA Life Membership Award/NWPPA Annual Meeting:

Former PUD Commissioner Jim Rowland will be presented with Northwest Public Power Association's "*Life Membership Award*" for 2003 at the NWPPA Annual Meeting awards luncheon in Coeur d'Alene, Idaho on May 20, 2003. This award is presented to policymakers or managers who are retired or no longer with NWPPA member utilities and have made notable contributions to the Association and public power.

Commissioner Bunch moved to authorize the District to pay for Jim Rowland's mileage and meal expenses to attend the NWPPA Annual Meeting in Coeur d'Alene, Idaho on May 20, 2003 to receive his "*Life Membership Award*", providing Energy Northwest does not pay his expenses; Commissioner Womack seconded; motion passed.

Commissioner Johnson will serve as Okanogan PUD's voting representative at the NWPPA Annual Business Meeting. He will also serve as Okanogan PUD's voting representative for

Energy Northwest's Participants' Review Board election held during the NWPPA Annual Meeting.

12. Public Comment:

There was no additional public comment.

13. Meetings:

Commissioner Johnson distributed Proceedings of Interest from the Washington PUD Association meetings he attended in Olympia on March 13-14, 2003. He also distributed information on the Energy Northwest Budget Workshop FY2004 he attended on March 25-26, 2003.

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., April 29, 2003 at the Okanogan PUD Auditorium.

14. Executive Session – Litigation:

The Board recessed into executive session at 11:25 a.m. to discuss litigation.

The Board reconvened into regular session at 11:50 a.m.

Commissioner Womack moved to authorize the Manager to execute the "Joint Defense Agreement" between all power purchasers in the Wells Project regarding the Colville Tribe claim; Commissioner Bunch seconded; motion passed.

Commissioner Womack moved to authorize the Manager to execute the "Exhibit A - Confidentiality Statement Regarding Slice True Up Audit for Contract Year 2002" of the Slice Audit Cooperation and Confidentiality Agreement; Commissioner Bunch seconded; motion passed.

There being no further business to discuss, the meeting adjourned at 11:57 a.m.

Donald W. Johnson, President

ATTEST:

David A. Womack, Vice-President

Darrel E. Bunch, Secretary