

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan July 8, 2003**

Present:

Board:	Donald Johnson, David Womack, Darrel Bunch
Staff:	Harlan Warner, Don Coppock, Derek Miller, Joe Miller, CJ Hack, Debra Peters, Steve Brown, Jerry Day, Dan Boettger, Julie Pyper
Other:	Michael Howe, Legal Counsel
Public:	Rosey Hough, Dave Johnson, Esther Johnson, Toyne Tibbets, Rebecca Meadows, K.C. Mehaffey, David Kliegman, Brian Kirchner, Dan Johnson, Kathleen Hirschstein, Carol Alexander, Susan Ianniello, Sybil Macapia, Kim Claussen, Bruce Morrison, Craig Edwards, Surya DiModica, Darlene Yockey, Vicky Welch, Jessica McNamara, Laura Fine-Morrison, Mary Lassila, Loren Kelley, Bettyjo Passalaqua, Jere Gillespie, Tanya Lazar, Rosie Sirek, Julie Henrich, Becky Harwood, Meadow Yockey, Dione Hanron, Janie Lewis, Tom Gehring, Jason Theroux, Jesu Greder, Lorah Waters, Sara Mounsey, Camden Shaw, Maeyowa, John Andrist, Ken Milner, Dave Sexton, Mike Brooks, George Wooten, Michael 'Buffalo' Mazzetti, Susie Ives, Ann McCreary

President Johnson called the meeting to order at 8:30 a.m.

**Summary Agenda**

1. Election of Officers
2. Approval of Minutes
3. Approval of Work Orders
4. Approval of Vouchers
5. Approval of Transfer of Accounts
6. Discuss/Decision on Wireless Network
7. New Customer Connect Report
8. NoaNet Board Meeting Report
9. Public Comment
10. Meetings
11. Executive Session - Litigation

**1. Election of Officers:**

Commissioner Johnson announced there would be a vote on the agenda to begin the meeting. He said there was concern expressed at the last meeting that the agenda was not being voted on, and there was a desire to adjourn if the order of the agenda was not changed. Therefore, Commissioner Johnson moved to strike the first agenda item - Election of Officers - and asked legal counsel to explain the District's precedent with election of officers and reorganization of the Board. Attorney Howe referenced the

governing Revised Code of Washington 54.12.090 for Public Utility Districts, which addresses the President, Secretary, Rules, Seal and Minutes. He noted the election of officers at Okanogan PUD is generally held at the end of the year or at the first meeting at the beginning of the year. (The motion died for lack of a second.)

Commissioner Bunch moved to elect David Womack as President, Darrel Bunch as Vice-President and Donald Johnson as Secretary. Commissioner Womack seconded the motion. Commissioner Johnson requested to know why the other Board members felt change was needed. Legal counsel was consulted on whether the motion on the floor involved the public. Attorney Howe advised that the Open Public Meeting Act grants the public the right to be present at the Commission meeting. There was discussion regarding claims that meetings are not being conducted in a fair, impartial manner and are being tied up too long with public comment. Commissioner Johnson said that permitting public comment is in keeping with strategic planning goals developed by the PUD that call for providing maximum opportunity for public input. Upon the vote, Commissioner Johnson opposed the motion. The motion passed.

**2. Approval of Minutes:**

Commissioner Bunch moved to approve the Minutes of the June 24, 2003 regular meeting; Commissioner Womack seconded.

Commissioner Johnson presented the following amendments:

**9. – Telecommunications Report – Wireless:**

The proposed network deployment requires a \$700,000 District net capital outlay, taken from a \$7 million fiber loan (\$5.6 million spent to date) **from the electric ratepayers.**

**14. – Tetra-Tech Proposal on EIS:**

**Commissioner Bunch noted that a lot more homework was needed before the District moved on the proposal.**

Commissioner Womack said he would approve the amendment if the following statement was also added: **Commissioner Womack asked what homework was needed, and Commissioner Bunch replied that a list of alternatives was needed.**

The motion passed.

**3. Approval of Work Orders:**

The following work orders were submitted for approval:

00-0657	Dale Johnson, Buckhorn Mtn. Rd. (Rev. #2)	\$1,698.00
01-0674	Gary Cote, Hwy. 153 (Rev. #1)	2,351.00
02-0318	Rick Savold, Tunk Mtn. Rd. (Rev. #1)	3,575.00
02-0701	WSDOT/Frank Splendario, Hwy. 97 & 153 Jct., Pateros (Rev. #2)	1,152.00
03-0144	David Taber, Hwy. 97, N. of Oroville (Rev. #1)	3,350.00

03-0200	Melissa Tomlinson, Fiker Rd., Omak	2,670.00
03-0230	Ronald Martinson, 1888 Hwy. 153, Carlton (Rev. #1)	4,655.00
03-0251	Candy Kelly, Hwy. 153 – MP 15.5 (Rev. #1)	10,507.00
03-0264	District, Carlton Loop Rd.	654.00
03-0270	Russell Brantner, Cherokee Rd., Omak	4,164.00
03-0290	District, Okanogan Sub.	25,503.00
03-0291	Don Becker, Hwy. 97 W. of Pinecrest	9,000.00
03-0294	King Car Wash, Omache Mall, Omak	4,522.00
03-0296	Marshall Kovalic, Lot 10, Div III, Nine Mile Ranches	5,200.00
03-0300	District, 623C Indian Dan Canyon, Brewster	518.00
03-0303	Gebbers Farms, Inc., Grain Elevator Rd., Brewster	3,847.00
03-0304	Rod Stucker, Hwy. 7 S. of Oroville	2,800.00
03-0305	Clayton Drummond, Goldmine Spur Rd. W.	809.00
03-0306	Don Hathaway, Chief Joseph Spur Rd. W.	2,511.00
03-0311	District, Westlake Rd.	1,375.00
03-0312	Frank Thompson, 630 Okoma Dr., Omak	533.00
03-0313	District, 704 Plaza Way, Brewster	832.00
03-0315	Brandy Summers, 25 Barker Rd.	875.00
03-0316	Gebbers Farms, Inc., Monse Bridge Rd.	664.00
03-0317	William Snook, 354 Libby Creek Rd.	3,990.00
03-0318	Chuck Ashworth, Lost Lake Rd.	2,275.00
03-0320	Dana Dykes, 85 Hendrick Rd., Omak	709.00
03-0321	District, Chesaw area	575.00
03-0322	Garco Construction, Paschal Sherman School	2,268.00
03-0324	Chris Wood, Weatherstone Rd.	1,697.00
03-0328	Intra Spectrum, Little Buck Mtn.	629.00
03-0329	District, Upper Tunk Valley	933.00
	Total	\$106,841.00

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

**4. Approval of Vouchers:**

Vouchers No.'s 77625 through 77654 in the amount of \$158,081.68, No.'s 77655 through 77737 in the amount of \$1,399,739.01, and No.'s 77738 through 77805 in the amount of \$59,737.95 were approved for payment from the revenue fund.

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

**5. Transfer of Accounts:**

Invoice #3359 in the amount of \$25.00 was submitted for transfer to Scott Sattler c/o Edith Sattler's electrical Account No. 15132. The invoice dated December 24, 2002 was for the cost of an after-hours call.

Invoice #3373 in the amount of \$1,382.06 was submitted for transfer to Jack Koester's electrical Account No. 25280. The invoice dated January 29, 2003 was for the cost to replace a damaged pole.

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

## **6. Discuss/Decision on Wireless Network:**

Discussion initiated by Manager Warner continued on the District's proposal to offer wireless network to retail providers. The following retail providers have service agreements with the District and although not on the Agenda commented on the proposed wireless network:

John Andrist, President and co-owner of NCI Data.com, presented his opinion on the cost, community impact, maintenance, operation, and profitability of broadband access in the Okanogan. He raised several questions about the PUD's wireless plan, particularly projections of the market share of wireless business that the PUD could expect to receive. NCI's network analyst, Ken Milner, believes the PUD's revenue projections are overstated and expenses are understated. Andrist said it is unknown if NCI will connect because he feels the existing infrastructure is less costly and more efficient. He recommended Okanogan PUD not proceed with the wireless network because the offering is not a means to make fiber or NoaNet investments positive, but would just add to the net loss to electrical ratepayers.

Mike Brooks of North Valley Internet said he believes the wireless network would be better for all because more competition in the market drives the price down and service quality up, however, he acknowledged it is a risk to him and the ratepayers. He noted the problem with a public entity (PUD) providing a service below what it would cost providers to provide the service. However, if the PUD goes forward, he believes he could sell customers on the PUD wireless system, and he thinks the market penetration is a bit more than presented by NCI.

Toyne Tibbets of TNT Internet said he supports the PUD's wireless networking proposal because it would enhance his company's ability to provide service. TNT Internet, located in Oregon, actively seeks rural/underserved areas for wireless service, but Tibbets noted there is room for competition. Tibbets also said the business plan numbers presented by the PUD are relative to the numbers he has run for other locations, and are similar in some respects to those presented by NCI.

Joe Miller, Telecommunications Manager, noted that the wireless project is an avenue for retailers to reach customers under \$50 per month. (With the PUD's rate structure for fiber, the District's charge to retailers would be over \$100 per month.)

In regards to proposed retail providers and market penetration, Derek Miller, Chief Engineer, noted that Charter Communication's initial roll-out date for Ethernet over cable was 2003, however, Charter International has put that on hold. With the local economy, Miller does not expect Charter to come to the area with Ethernet any time soon.

Commissioner Johnson noted that he doesn't think the PUD should assume the risk for new retail providers, but instead see how the current fiber infrastructure develops.

President Womack invited the public to comment on this Agenda item, although comments on Election of Board Officers was by rule not allowed until its place near the end of the Agenda.

The Board requested staff review the presentation materials and bring the issue back for further discussion at the next PUD meeting.

**7. New Customer Connect Report:**

Staff proposed to update the New Customer Connect Report form with a more effective version. The existing report was developed at the request of the Commission several years ago to monitor the services extended to manufactured homes. The current report is a manually prepared document that provides the District with the number of new homes connected in the District during the previous quarter. The report requires staff to gather and tabulate the information from each of the branch offices. The new report would provide information from a database of information collected during the routine completion of work orders. All new connections, including RV hookups, can be detailed in the new report.

The Board agreed to the proposed change and requested that a quarterly report be provided summarizing all hookups, including irrigation.

**8. NoaNet Board Meeting Report:**

Manager Warner reported on the July 2, 2003 Northwest Open Access Network Board meeting in Seattle. (NoaNet is a joint operating agency formed to lease BPA fiber that BPA has installed on its transmission system. Okanogan PUD is a member of NoaNet, and is connected at the Chief Joe Substation in Bridgeport. The District has an agreement with Douglas PUD to lease fiber from the Brewster Bridge to Bridgeport. The District's fiber extends from the Brewster Bridge and Oroville to Pateros).

There was substantial discussion at the meeting regarding financial reports. The actual revenue has been lagging behind projections, but recent contracts would put that close to year-end projections. The original estimate for the NoaNet fiber-optic build out was

projected to be \$33-35 million. The current cost of the build out is at \$33 million. \$27 million of this amount was financed through a bond issuance (Okanogan PUD being responsible for \$1.4715 million), with the remaining \$6 million to be covered through annual assessments to NoaNet members. The total projected assessment amount for all NoaNet members for 2004 is \$1 million (Okanogan PUD's assessment is \$130,000/year based on the PUD Association funding formula).

Manager Warner also reported that NoaNet is expecting an increase in new customer contracts in the upcoming year. For example, CenturyTel has requested a connection to NoaNet at Spokane, which would provide high speed network service to its customers in Kalispell, Montana.

The next NoaNet Board meeting on August 13-14, 2003 will be a joint meeting with the Washington PUD Association regarding telecom issues.

#### **9. Public Comment:**

Sybil Macapia expressed her dissatisfaction with the Manager and Commission for not being responsible in terms of legal obligations as overseers of the PUD. She urged them to not shoot the messenger, but to listen, analyze and investigate.

Kathleen Hirschstein noted the Matrix developed in mediation could be useful to get a handle on costs regarding the project of bringing electricity to the Methow. She encouraged everyone to work together as a team, and asked the management and Board to take the initiative to pursue organizing information on the Matrix.

Rosey Hough thanked the Commission, Manager and staff for their many hours of hard work – she knows from serving on several boards herself that it is a thankless and hard job. She would like to see the PUD follow Robert's Rules of Order in public meetings as a necessary tool to get business done. She also noted that limiting time for public comment is a very important issue with big crowds.

Brian Kirchner questioned PACE's credibility. He said that if members of PACE are knowledgeable and have the required skills, PACE should be a licensed and bonded agency to submit bids to the PUD for environmental studies. He trusts the PUD that has served him for years, and urged the Board to progress with the Pateros/Twisp line.

George Wooten thanked Commissioner Johnson for his efforts. Mr. Wooten commented that the PUD is wasting money by obligating itself to too many alternatives in the EIS. (Commissioner Womack noted that following the scoping period, the Board will review all alternatives and determine if any should be eliminated.)

Esther Johnson commented that the mediation group agreed that a circular line was most reliable, but the group did not agree on the Matrix. She said the PUD staff is very reliable and has worked hard. She appreciates the PUD because she lived in the valley

when Washington Water Power provided very expensive electricity based upon consumers having a certain number of electric appliances.

David Kliegman said he believes in public interest and it grieves him how the Board conducts business and has a lack of respect for each other and the public. However, he is mainly concerned with the Commission gambling with his money and increasing his rates. He was first outraged with the diesel generators and now with the EIS process, which is being pushed forward whether the public likes it or not.

Dan Johnson was concerned that the PUD's proposal to construct a new transmission line from Pateros to Twisp would be favorable to real estate development in the southern part of the valley.

Bettyjo Passalaqua supports Commissioner Johnson, and said a grave injustice was done this morning between people who know each other and work together. She demanded reconsideration of the decision regarding the election and public comment.

Vicky Welch praised Commissioner Johnson for his commitment to lowering electric rates by voting against unnecessary expenses. She is concerned with additional costs with the EIS and asked if it would be less expensive if the Forest Service performed the scoping. She also asked how much money the District lost with the Buyback Program.

Dave Johnson said he circulated the petition in support of a new transmission line in the Methow Valley, and believes a circular line is the best system. He noted that Okanogan PUD was not the only utility that purchased diesel generators. He wants people to consider the problem the directors were forced to deal with in regard to the Enron situation.

Maeyowa noted her concerns with changing the public comment period and the decision to remove Commissioner Johnson as President without public comment.

Mary Lassila said she is concerned with PUD decisions, including the purchase of diesel generators and the proposed power line. She feels public comment is very important.

Darlene Yockey noted that she has over 18 years of public service. She feels the PUD Board is not fulfilling its promise to serve the public.

Jessica McNamara commented that those in charge of public funds need to practice prudent management.

## **10. Meetings:**

Commissioner Johnson reported that he will be attending a Washington PUD Association Commissioners Workshop in Newport, Washington on July 17, 2003.

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

**11. Executive Session – Litigation:**

The Board recessed into executive session at 11:35 a.m. to discuss litigation.

The Board reconvened into regular session at 11:55 a.m. There being no further business to discuss, the meeting adjourned at 11:55 a.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary