

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan August 26, 2003**

Present:

Board:	David Womack, Darrel Bunch, Donald Johnson
Staff:	Harlan Warner, Don Coppock, Derek Miller, Fred Burke, Joe Miller, Debra Peters, Steve Brown, Julie Pyper
Other:	Michael Howe - Legal Counsel; Rich Trimble - Energy Northwest
Public:	Wendy Snook, Jim Martin, Brian Kirchner, David Sexton, Susie Ives, Ann McCreary

President Womack 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. Resolution No. 1261
7. Review Net Metering Policy
8. Energy Northwest Report
9. Solar Demonstration Project RFQ
10. NoaNet Assessment
11. Wireless Pilot Project
12. Northwest Power Works Assessment
13. Accounting Department Staffing
14. Public Comment
15. Meetings
16. Executive Session - Litigation

1. Approval of Minutes:

Commissioner Bunch moved to approve the Minutes of the August 12, 2003 regular meeting; Commissioner Johnson seconded.

Commissioner Johnson presented the following clarifications, additions and/or corrections:

13. – Customer Survey Results:

The total financial support would be **at least** \$4,551 bi-monthly or \$27,306 annually. (Following discussion, revised as follows: ... **could be at least**)

14. – Public Comment:

Brian Kirchner apologized to Commissioner Johnson for his earlier complaint about the approval of the Minutes. He had not understood that the Secretary of the Board was not responsible for the final draft of the Minutes submitted for approval.

Additional amendments were submitted, but not approved. Commissioner Johnson will file a Minority Report per Resolution No. 811 with regard to the Treasurer’s Report. Resolution No. 811 provides that any Commissioner who may disagree with the form or content of the Minutes adopted by the majority of the Commission shall have the right to append to such Minutes a minority report to be signed by the dissenting Commissioner and filed with the official Minutes within 48 hours after the adoption of the official Minutes.

The motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

03-0338	Kurt Guelich, Pharr Rd., Riverside	\$2,708.00
03-0372	District, Viewmont Dr., Okanogan	17,125.00
03-0383	Darrel Duncan, Palmer Ave. (Rev. #1)	775.00
03-0388	District, 730 Ridge Dr. W.	3,561.00
03-0394	District, Pine Creek Rd. at Stalder Rd.	1,950.00
03-0395	Jim Attwood, Whitestone Lake	4,550.00
03-0400	Barbara Harris, 30 Roggow Rd.	4,300.00
03-0402	Paul Scott, 83 Glover Lane	967.00
03-0404	District, Oroville between Central & Appleway	3,150.00
03-0405	District, Main St. N. of Central Ave., Oroville	2,450.00
03-0406	U.S. Forest Service, Tonasket Ball Fields Fire Camp	3,300.00
03-0407	District, N. Siwash Creek	4,700.00
03-0411	District, Pateros #4146	1,933.00
03-0415	District, Pateros	532.00
	Total	\$52,001.00

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

3. Approval of Vouchers:

Vouchers No.'s 78260 through 78286 in the amount of \$431,802.56, No.'s 78287 through 78316 in the amount of \$161,792.72, No.'s 78317 through 78443 in the amount of \$1,271,701.12, and No. 78444 in the amount of \$178.19 were approved for payment from the revenue fund.

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

4. Transfer of Accounts:

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

Alvarez, Felipe Rodriquez, Invoice #3421	\$2,198.77
Evans, Rhea Connie	68.37
Hill, Linna L.	93.44
Larson, Nels L.	132.85
Marcille, John	429.54
Marcille, John	76.38
Rangel, Gustavo G., Invoice #3428	3,118.75
Smith, Zeke	243.07
Snyman, Nathan & Mainord, Samatha	191.80
Stafford, Mandy	388.56
Total	\$6,941.53

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

5. Public Comment:

Wendy Snook discussed her concern with the installation of a pad-mount transformer on her property in Carlton. Although the location had been inspected and staked, a transformer box was incorrectly located at the edge of her driveway instead of three feet away on the tree line as requested. She noted that the District's engineer acknowledged the error and agreed to relocate the transformer box, but advised that she would be responsible for re-digging the ditch to relocate the line. She said the transformer box should be moved for safety reasons alone, and requested the job be completed to her satisfaction at the District's expense.

The Manager said he was not aware of the problem, but would discuss the matter with the engineer involved in the job and notify Ms. Snook of the results of the discussion.

6. Resolution No. 1261:

Manager Warner presented Resolution No. 1261 authorizing funding for Okanogan County Community Action Council's Low-Income Weatherization Program. The Resolution memorializes the action taken by the Board on August 12, 2003 to provide \$61,721.50 by September 30, 2003 and \$61,721.50 by January 31, 2004 as matching funds under the Energy Matchmakers Program.

Commissioner Johnson moved to adopt Resolution No. 1261; Commissioner Bunch seconded; motion passed.

7. Review Net Metering Policy:

Discussion continued from the August 12, 2003 meeting on the District's proposed Net Metering Policy. Attorney Howe suggested the cover letter to PUD customers state that the local permitting agency for appropriate electrical permits is the Electrical Division of the State of Washington Department of Labor and Industries. He also suggested that the clause on governing law and venue be revised to state that venue for any action arising under or in connection with this Agreement shall be in a Court of applicable jurisdiction in Okanogan County. In addition, he referenced the Washington State Metering Law in regard to the request by Jim Martin of Solar Wind Energy Systems to consider not zeroing the balance, but reimbursing the net metering customer if they carried a credit balance (instead of providing at the end of each calendar year that any and all of the kilowatt hour electric energy credit(s) remaining on the customer's account shall be returned to the District). RCW 80.60 provides that at the beginning of each calendar year, any remaining unused kilowatt-hour credit accumulated during the previous year shall be granted to the electric utility, without any compensation to the customer-generator.

The discussion was tabled until a later date allowing commissioners and staff additional time to review the proposed policy. The Conservation Staff was requested to contact Grays Harbor PUD for information regarding the legal basis on which they based their Net Metering Policy, which compensated the customer-generator half of the retail power rate for the year-end balance.

8. Energy Northwest Report:

Rich Trimble attended the meeting as part of Energy Northwest's focus to better understand its members and the issues of importance at each District. He presented the District with a check in the amount of \$8,644, representing a Business Development Fund member disbursement.

Mr. Trimble noted that Energy Northwest is continuing to work on a biomass pilot project to harvest methane from the lagoon of dairy waste. Preliminary work to construct a cover over the lagoon to aid in the collection of methane gas emitting from the lagoon has begun.

Energy Northwest has been working with a group of Montana Co-ops to perform due diligence on two proposed Montana coal projects. After the review is completed, Energy Northwest will poll its membership to determine the level of interest in this project.

Phase II of the Nine Canyon Wind Project is essentially on schedule, with the first two turbines scheduled to arrive in late August from Denmark. Energy Northwest is seeking a purchaser for the 4 megawatt share (of the original 48 MW) of Phase I output they committed to initially to further the project. The purchaser would be required to be a BPA customer and to not own more than 25% of the Project output.

The Member Forum VI Meeting of Energy Northwest will be held on September 11-12, 2003 in Richland. The agenda will include as guest speaker Doug Hunter, General Manager of Utah Associated Municipal Power Systems; a joint purchasing presentation by Linda Crahan of Wisconsin Public Power; the Power Resource Options Committee, which is a panel of utility managers including Harlan Warner; and a panel on energy issues featuring Senator Bob Morton, Senator Karen Fraser, and Rachel Shimshack, Director of Northwest Renewable Project. A tour of the Nine Canyon Phase I Project will be available at 11:00 a.m. on September 11th.

9. Solar Demonstration Project RFQ:

Chief Engineer Derek Miller noted that the District previously received three quotes for the Solar Demonstration Project when a work order for the first project was approved in January 2003. However, due to the short notice and lack of a clear project description, those entities were given another opportunity to respond to a Request for Proposals. The RFP was to provide a grid intertied photovoltaic (PV) power system with 1.5 kilowatts of capacity installed on the south side of the roof of the PUD office in Okanogan. The purpose of the installation would be to provide a solar demonstration project that could inform and educate District customers and staff about all aspects of PV systems.

The demonstration project includes a lobby display and website information, although neither bid included a cost estimate for the website due to insufficient information. The project also includes an awning assembly approximately 30 feet in length that would provide sidewalk protection from snow. The Board requested that staff obtain a separate cost estimate for expanding the awning for future needs.

Bids for a 1.65 kW system were received from Solar Wind Energy Systems, LLC in the amount of \$19,402.35 and from Western SUN Cooperative in the amount of \$16,985.00. The proposal provided by Western SUN did not meet the requirement of an expandable system, and also required that District staff provide the majority of labor and the contracting of a licensed electrician, with Western SUN primarily acting as an advisor. Mr. Miller recommended the bid be awarded to Solar Wind Energy Systems based on a more accurate cost breakdown and the level of detail provided in the RFP.

Commissioner Johnson moved to proceed with the Solar Demonstration Project as previously approved, and accept the proposal from Solar Wind Energy Systems, LLC in the amount of \$19,402.35 to provide a 1.65 kW grid intertied photovoltaic power system that will be installed on the south side of the roof of the PUD office in Okanogan; Commissioner Bunch seconded; motion passed.

Solar Wind Energy Systems estimates a two-month timeframe to install the solar project.

10. NoaNet Assessment:

Manager Warner reported that the NoaNet Board of Directors approved on August 13, 2003 a special membership assessment of \$1 million to cover cash shortfalls in 2003 and

the first bond repayment of \$1 million on the \$27 million long-term financing. The assessment is payable by September 30, 2003, with a grace period for payment until November 14, 2003. Okanogan PUD's member assessment is \$54,500.00 (5.45%). Okanogan PUD's share of the \$1.2 million debt service on the \$27 million for system development was required as a result of 2003 projected revenue shortfall attributed to small Internet providers.

There was discussion regarding the challenges NoaNet has encountered. Part of the revenue shortfall is due to the lag time with members building out their systems. Telecom Manager Joe Miller noted that NoaNet is the District's crucial path to tier one Internet markets in Portland and Seattle. Without NoaNet and the member networks, advanced broadband services would not be realized in many Counties throughout the State. Regional opportunities remain strong, and NoaNet anticipates steady growth for 2004.

Commissioner Bunch moved to authorize payment of Okanogan PUD's portion of the NoaNet special membership assessment in the amount of \$54,500.00; Commissioner Johnson seconded; motion passed.

11. Wireless Pilot Project:

Joe Miller updated Board members on the status of the wireless network pilot project. The Okanogan/Omak access point is being installed at Shellrock Point and is expected to be finished today. The decision to install this location first was to insure that a wireless connection to the District's fiber-optic system was available in time for retailers to present live demonstrations at this year's County Fair. Although the pilot project is limited to 40 customers, an informal poll indicates that 215 people from the Okanogan-Omak area initially contacted by five local ISP providers are interested in signing up for this service. The retail providers have been provided a map of the 10 miles line-of-sight radius to determine which customers would be able to access the network with a wireless transmitter/receiver. The pilot project also provides for an access point in the Oroville area.

12. Northwest Power Works Assessment:

Manager Warner reported that the Washington PUD Association Board approved the Northwest Power Works Phase IV campaign funding in the amount of \$115,000.00. The assessment will fund for the remaining of this year the campaign, the Transmission Issues Group and the Alliance of State Leaders Protecting Electricity Consumers. Okanogan PUD's portion of the assessment is \$3,117.00 (2.71%). These funds will support the Washington PUD Association effort to oppose Federal legislation (energy bill), which could impose a RTO (regional transmission system) and expand the authority granted to FERC. Those programs could increase the cost of BPA power from our regional Federal hydro system for our PUD customers.

Commissioner Bunch moved to authorize payment of Okanogan PUD's portion of the Northwest Power Works Phase IV assessment in the amount of \$3,117.00; Commissioner Johnson seconded; motion passed.

13. Accounting Department Staffing:

Director of Finance Fred Burke presented a detailed analysis of the Finance Department's responsibilities, current and projected workload, staffing assignments and present and future staffing needs. He noted that work timeliness has reached an unacceptable level because the department's workload has increased substantially and continues to backlog. Areas of concern included budget format revisions (electric/telecom breakdowns), cash-flow projection updates, absence of monthly and annual reports, and updating of the General Transfer Agreement (wheeling rates). It is Mr. Burke's recommendation to begin the hiring process immediately to add one additional member to the Finance Department staff. Following discussions with his staff, Mr. Burke recommends requiring a minimum two-year accounting degree. This staffing position has been budgeted for two years, with the main impediment being limited office space. The beginning focus would be on work orders and miscellaneous accounts receivable.

Following discussion, the Board favored advertising for an Accountant with a degree, while not specifying two-year or four-year.

Commissioner Johnson moved to begin the hiring process immediately for an Accountant as an additional member of the Finance Department; Commissioner Bunch seconded; motion passed.

14. Public Comment:

There was no public comment.

15. Meetings:

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., September 2, 2003 at the Okanogan PUD Auditorium.

Commissioner Bunch met recently with the Nighthawk Trail proposal group. One of the landowners is opposed to the trail and another is not interested in selling but might consider a ten-year lease with a renewable clause. Project Coordinator Jim Weed will contact the PUD for further discussion.

16. Executive Session – Litigation:

President Womack recessed the Board into executive session at 12:05 p.m. to discuss litigation.

President Womack reconvened the Board into regular session at 1:00 p.m.

Commissioner Johnson moved to participate in the \$150,000 cost of Slice Arbitration True-Up with Bonneville Power Administration (Okanogan PUD's portion \$3,300); Commissioner Bunch seconded; motion passed.

Commissioner Bunch moved to authorize a \$12,000 increase in the Envirometrics, Inc. Contract for the Cummins litigation; Commissioner Johnson seconded; motion passed.

There being no further business to discuss, the meeting adjourned at 1:03 p.m.

David A. Womack, President
Darrel E. Bunch, Vice-President
Donald W. Johnson, Secretary