

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan September 2, 2003**

Present:

Board:	David Womack, Darrel Bunch, Donald Johnson
Staff:	Harlan Warner, Don Coppock, Derek Miller, Fred Burke, Joe Miller, Janet Crossland, Mark Pritchard, Jerry Day, Steve Brown, Julie Pyper
Other:	Michael Howe, Legal Counsel
Public:	Susie Ives, Jere Gillespie

President Womack called the meeting to order at 8:30 a.m. Additional items added to the Agenda were surplus property and Commissioner Johnson's report on power sales and purchases.

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. Revise 2003 Budget – Resolution No. 1262
7. 2004 Preliminary Budget – Resolution No. 1263
8. Surplus Property
9. Commissioner Johnson's Power Purchases/Sales Report
10. Public Comment
11. Meetings
12. Executive Session - Personnel

1. Approval of Minutes:

Commissioner Bunch moved to approve the Minutes of the August 26, 2003 regular meeting; Commissioner Johnson seconded the motion.

Commissioner Johnson presented the following clarifications, additions and/or corrections, which were revised as follows after discussion:

7. – Review Net Metering 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.**

10. – NoaNet Assessment:

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.

12. – Northwest Power Works Assessment:

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.

13. – Accounting Department Staffing:

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).

16. – Executive Session – Litigation:

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

Additional amendments were submitted, but not approved. Commissioner Bunch abstained from voting. The motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

03-0337	Myron Anderson, 191 Blue Bell Lane, Tonasket	\$39,129.00
03-0397	Gloria Royce, 1256 Hwy. 153, Methow	\$5,184.00
03-0401	District, S. Main St., Oroville	\$2,500.00
03-0408	Mike Egerton, East Lake Rd.	\$5,450.00
03-0410	Brant Hinze, 619 Nealey Rd.	\$900.00
03-0413	District, Pateros Plaza	\$1,095.00
03-0414	Sackman/Walker, Mineral Hill Rd., Conconully	\$780.00
03-0424	Keystone Ranch, 367 Keystone Rd., Riverside	\$3,976.00
	Total	\$59,014.00

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

3. Approval of Vouchers:

Vouchers No.'s 78445 through 78514 in the amount of \$582,804.91 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:

Beck, Cherie & Ballard, Danny	\$452.35
Behrens, Erlene	29.30
Birrell, Janette M.	116.58
Burt, Nicole & Hubbard, Terry	9.81
Carlisle, Barbara	82.53
Cousins, Don A.	86.45
Craigen, Michael Jr.	919.77
Gallegos, Frank J.	164.38
Hall, Debra A.	25.95
Johnson, Lewis I.	118.89
Munski, Michelle	98.77
Pickle, Dennis	23.77
Stoddard, Tina M.	511.96
Total	\$2,640.51

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

5. Public Comment:

There was no public comment.

6. Revise 2003 Budget – Resolution No. 1262:

Director of Finance Fred Burke presented a budget status report through July 2003, and Resolution No. 1262 revising and supplementing the 2003 budget. The revised budget reflects a deficit of \$172,000, which is about \$2.7 million less than the original projected deficit of \$2,886,000 due to good power sales and higher than average water in the beginning of the year.

The total receipts were revised from \$37,131,000 to \$42,360,000, which included an increase in sales of electric energy from \$31,800,000 to \$35,800,000. Included in the \$4,000,000 increase on a flow-through basis was \$1,200,000 attributed to Colville Indian Power and Vener, which was not allotted for under power purchases and sales in the original budget because CIPV was not generating at that time. In addition, sales for resale were higher than the Power Resource Engineer's surplus sales projection of \$4,000,000. (Surplus sales were over \$6 million by the end of July 2003, which include a ½ mill wheeling transaction charge to Douglas PUD for contractual services.)

Miscellaneous cash receipts were revised upward from \$3,671,000 to \$4,400,000 on the basis of the bond issuance. (On a normal year, miscellaneous cash receipts are about \$700,000.)

Customer deposit receipts were revised downward from \$325,000 to \$175,000 due to a large irrigation customer being able to avoid posting an irrigation deposit through acceptance of alternative terms.

Conservation reimbursement increased from \$325,000 to \$975,000 due to the flow-through basis of the Magi Conservation Augmentation Contract, and in part to a slight underestimation of loan repayment activity.

Under the normal operations section, advertising/conservation was increased by \$480,000 to reflect the Magi transaction noted above.

An increase of \$256,000 in contractual services was related to legal fees.

Purchased power increased from \$21,500,000 to \$23,500,000 (\$1.2 million of this is flow-through re: CIPV). The increase reflects a few spot market purchases when the District was slightly oversold, and the Nine Canyon Wind Project costs that were under-projected by approximately \$300,000.

The total expenditures were revised from \$40,017,000 to \$42,532,000. The increase in debt service requirements was attributable to the bond refinancing, with the principal increasing from \$2,472,000 to \$3,812,000, and the interest declining slightly from \$957,000 to \$854,000.

Contractual services were revised downward from \$480,000 to \$173,000, of which \$350,000 had been budgeted for the Methow EIS that will not occur in 2003. In addition, there was a \$54,500 increase in NoaNet assessments.

A decrease of \$1,000,000 under the materials/supplies-distribution section was due to the Twisp fiber build-out postponement.

A decrease of \$151,000 in equipment and plant expenditures was related to a delay in the upgrade of the AS400 computer system.

Commissioner Bunch moved to adopt Resolution No. 1262; Commissioner Johnson seconded; motion passed.

7. 2004 Preliminary Budget – Resolution No. 1263:

Fred Burke presented budget projections and comparisons, separating electric and telecom sales, and Resolution No. 1263 adopting the 2004 proposed budget. The proposed budget reflects a deficit of \$2,645,000.

The budget anticipates receipts by the revenue fund during 2004 in the amount of \$36,885,000, of which electric and telecom sales are estimated at \$34,500,000. The approximately \$1,000,000 reduction in sales revenue is based on the projected sales to retail customers being down slightly from the last couple of years. Actual sales to retail customers is around \$26,000,000, with an additional \$6,426,000 from sales for resale, \$301,000 from telecom sales, and \$1,200,000 from the CIPV flow-through.

Miscellaneous cash receipts were revised from \$4,400,000 to a normal year's projection of \$700,000 because no bond issuance is anticipated for 2004.

Without the Magi Con-Aug flow-through, conservation reimbursement was revised from \$975,000 to \$500,000.

The total projected cash receipts were \$6,000,000 less than last year because of last year's borrowing. Staff noted that a \$120,000 Magi/BPA payment may be due in 2004, which could account for a possible revision before the final budget.

Under the operations section of the budget, labor has increased from \$4,300,000 to \$4,423,000 to reflect an additional telecom technician (which will offset the contractual services section of the budget), a half year system engineer position related to a pending retirement, and an additional accountant.

Also included under normal operations is a \$10,000 increase in transportation related to fuel prices and a property coverage premium increase of \$110,000.

Advertising/conservation costs are projected to decrease from \$1,480,000 to \$995,000 (\$975,000 for conservation/loan activities and \$20,000 for advertising).

Materials/supplies-generation costs are reduced from \$25,000 to \$5,000 due to a minimal requirement status with the diesel generator plant. Materials/supplies-distribution costs, including services at branch offices, are up \$10,000. The projected purchased power costs have decreased from \$23,500,000 to \$23,200,000. Taxes increased from \$3,174,000 to \$3,235,000 (public utility tax portion is increased by \$50,000 to \$1,300,000). Pension costs have decreased from \$255,000 to \$225,000 due to retirement system adjustments.

Debt service requirements decreased from \$3,812,000 to zero because there will be no principal payment due in 2004. A slight reduction in interest from \$854,000 to \$804,000 is due to the refinancing terms.

Under the capital expenditures section of the budget, capital contractual services have increased from \$173,000 to \$665,000. Included are Methow EIS preparation costs of \$350,000 and Methow transmission and substation consulting costs of \$15,000, as well as Okanogan-East Omak 115 KV reconductoring costs of \$50,000, and NoaNet unofficial assessments of \$100,000. Also included is \$150,000 for an electronic mapping system.

Materials/supplies-distribution expenditures are projected to increase from \$1,005,000 to \$1,901,000. The increase includes reconductoring at Monse/Ophir (\$75,000 carryover from last year's budget), Okanogan-East Omak (\$460,000), and Winthrop (\$75,000).

The telecom budget includes SONET enhancements (\$23,000), Ethernet customer build-out to 40 customers (\$165,000), Wireless Ethernet access points and premises equipment (\$384,000) and co-location and general upgrades (\$29,000).

The cost of meters is reduced from \$90,000 to \$70,000, and the cost for transformers is down to \$350,000 from \$550,000 in 2003.

Crown Resources (Battle Mountain) capital costs were revised from \$5,000 to \$25,000 due to expected project design changes.

Equipment/plant expenditures were increased from \$204,000 to \$430,000 to update buildings/property, equipment and vehicles.

Commissioner Bunch moved to accept Resolution No. 1263 adopting a proposed budget for 2004, which is in conformity with statutory requirements to adopt and publish a preliminary budget; Commissioner Johnson seconded; motion passed.

Mr. Burke will provide the Commissioners a separate telecom/electric cash-flow projection prior to a presentation at the September 16th Board meeting.

8. Surplus Property:

Manager Warner reported the District has been requested to sell two Westinghouse Type 45 voltage recorders. Although the voltage recorders are 30 years old and are no longer in use, the District staff intends to keep three units for emergency backup. The value of the surplus property has been established at \$25 each.

Commissioner Bunch moved to sell as surplus property two Westinghouse Type 45 voltage regulators for \$25 each; Commissioner Womack seconded. Commissioner Johnson questioned sale of the voltage recorders when the value is unknown and there has been no public announcement of surplus property. (The statute requires the District dispose of property in the best interest of the utility.) The motion passed two to one.

9. Commissioner Johnson's Power Purchases/Sales Report:

The Board was given a handout at the last meeting that provided information regarding power purchases and sales.

Commissioner Johnson summarized the information according to the percentage of annual variation in power purchased and sold for December 2002 through June 2003. His figures show purchases are generally up, surplus sales are markedly up, and retail sales are down – specifically residential sales (-11.4% in April). Johnson noted that the

increased purchases reflect biomass from CIPV and wind from Energy Northwest contracts, and increased wholesale sales reflect surplus power purchases and conservation efforts.

10. Public Comment:

There was no public comment.

11. Meetings:

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., September 16, 2003 at the Okanogan PUD Auditorium.

The Board recessed for lunch from 12:15 to 1:00 p.m.

12. Executive Session – Personnel:

President Womack recessed the Board into executive session at 1:00 p.m. to discuss personnel, and reconvened the Board into regular session at 4:10 p.m. The meeting adjourned until 8:30 a.m., September 3, 2003, at which time the Board recessed into executive session at 8:30 a.m. to discuss personnel, and reconvened into regular session at 10:30 a.m. The meeting adjourned until 8:30 a.m., September 5, 2003, at which time the Board recessed into executive session at 8:30 a.m. to discuss personnel, and reconvened into regular session at 2:00 p.m. There being no further business to discuss, the meeting adjourned at 2:00 p.m.

David A. Womack, President

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary