

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan September 16, 2003**

Present:

Board:	David Womack, Darrel Bunch, Donald Johnson
Staff:	Harlan Warner, Don Coppock, Derek Miller, Larry Felton, Frederick Burke, Joe Miller, Julie Pyper
Other:	Michael Howe, Legal Counsel
Public:	Toyne Tibbits, Susie Ives, Bill Swayze, Jason Dodgen, Diana Yeckel, Walt Olsen

President Womack called the meeting to order at 8:30 a.m. Additional items added to the agenda were BPA Letter of Agreement, Noel Orr Allotment Information, and the Nespelem REA Annual Meeting.

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. Nine Canyon Wind Project Assignment
7. Telecom Report
8. Student Scholarship Presentation
9. Brewster Flat Irrigation District
10. Net Metering Policy
11. Review Financial Forecast
12. BPA Letter of Agreement
13. Noel Orr Allotment Information
14. Public Comment
15. Meetings
16. Executive Session – Litigation and Personnel

1. Approval of Minutes:

Commissioner Bunch moved to approve the Minutes of the September 2, 2003 regular meeting.

Commissioner Johnson seconded the Minutes, and questioned Item 7 - 2004 Preliminary Budget, which stated the \$1,000,000 reduction in revenue is based on retail sales to customers being down slightly over the last couple of years. Commissioner Johnson recalled the reduction in retail sales being \$500,000.

Following discussion, the Board agreed to clarify the sentence to reflect that \$500,000 was attributable to a decrease in retail sales and \$500,000 was attributable to a decrease in wholesale sales. The motion passed. *(After further review following the meeting, the Director of Finance confirmed 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.)*

2. Approval of Work Orders:

The following work orders were submitted for approval:

03-0051	Colville Indian Power & Veneer/District	\$41,856.00
03-0278	Paul Matthews, Lemansky Rd. (Rev. #1)	5,384.00
03-0371	Louis Downs, Blue Lake Rd.	30,348.00
03-0417	Walt Berninger, 186C Hwy. 153, Carlton	1,020.00
03-0418	District, Hwy. 20	1,577.00
03-0420	Steve Dennis, Crawfish Lake	629.00
03-0421	Richard Shiflett, A Ave., Conconully	1,390.00
03-0423	Mary Ann Williams, Wannacut Lake Rd.	1,100.00
03-0425	Dan Shiflett, Rodeo Trail	6,595.00
03-0427	District, 191 Twisp River Rd.	2,708.00
03-0428	Spencer Scott, State Hwy. Frontage Rd.	775.00
03-0429	Mike & Tina Payne, 240 Twisp-Carlton Rd., Twisp	3,292.00
03-0430	District, 505 Methow Valley Hwy. N., Twisp	2,830.00
03-0431	District, Lemansky Rd.	17,000.00
03-0432	USFS, Tonasket School Ball Fields	2,300.00
03-0434	Bruce Morton, Aeneas Valley Rd.	1,375.00
03-0435	District, Tonasket Airport	975.00
03-0437	Tory Karpenko/George Goupios, 810 Twisp-Carlton Rd.	2,954.00
03-0438	Tory Karpenko, Twisp-Carlton Rd.	4,228.00
03-0439	Howard Carlson, Harmony Heights	4,301.00
03-0440	Pillow/Cardenas, Barnholt Loop Rd.	2,780.00
03-0443	James Freeman, 40 Lookout Trail Rd., Riverside	926.00
03-0444	District, Okanogan 13.2 KV Substation	1,697.00
03-0451	District, Keystone	662.00
	Total	\$138,702.00

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

3. Approval of Vouchers:

Vouchers No.'s 78515 through 78543 in the amount of \$162,439.88, No.'s 78544 through 78636 in the amount of \$160,510.43, and No.'s 78637 through 78756 in the amount of \$572,988.29 were approved for payment from the revenue fund.

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

4. Transfer of Accounts:

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

Batey, Kim Lavern	\$537.41
Bob, Winnefred	102.74
Buckley, John M.	9.88
Chase, Sean	260.94
Harris, Grace	296.74
Harris, Ida I.	242.30
Haywood, Mark (Train Station Mini Mart)	598.19
Kenney, Lydia	108.31
Krause, Nick & Sarah	107.58
Langford, Mike	88.31
McKay, David G. (Estate)	83.31
Nelson, John R.	146.08
Orozco, Donna	281.38
Pink, Rebecca Sue	52.23
Rhodes, John L.	11.94
Riecken, Erlend	293.06
Ringwood, Anne F.	262.86
Smith, Darin	121.87
Smythe, Darrin & Lorriann	80.19
Snyder, Susan	281.31
Verebi, Frank	102.28
Verebi, Frank	27.04
Walker, March L. (Estate)	65.34
West, Daniel & Andrea	143.24
West, David	103.96
Total	\$4,408.49

Manager Warner noted that an electrical account in the name of Anne Ringwood was not disconnected following a request to Fred Burke from Commissioner Johnson to not disconnect her power before the matter could be discussed at the next Board meeting. Commissioner Johnson's intention was to allow the disabled woman without family, telephone, transportation or funds an opportunity to contact Okanogan County Community Action Council for assistance. Following Board discussion, it was agreed

that this action was contrary to District policy and another disconnect notice period will be required.

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

5. Public Comment:

There was no public comment.

6. Nine Canyon Wind Project Assignment:

Power Resource Engineer Larry Felton requested the Board's concurrence with Energy Northwest's proposal to reassign to Cowlitz PUD 2 megawatts (MW) of the 4 MW that Energy Northwest purchased from the original 48 MW of Phase I output. The issue will be before a meeting of the Nine Canyon Wind Project Purchasers Committee on September 18th, which Mr. Felton will attend.

The Nine Canyon Wind Project Power Purchase Agreement provides that no party may assign either the Agreement or any of its rights, interests or obligations without the prior written approval of all of the Parties, which approval shall not be unreasonably withheld.

Commissioner Bunch moved to approve Energy Northwest's reassignment to Cowlitz PUD of 2 MW of the 4 MW that Energy Northwest purchased from the original 48 MW of Phase I output; Commissioner Johnson seconded; motion passed.

As Okanogan PUD's Member Representative to the Nine Canyon Wind Project Purchasers Committee, Mr. Felton will advise Energy Northwest of Okanogan PUD's approval of the assignment.

7. Telecom Report:

Telecommunications Manager Joe Miller reported that the Okanogan PUD Wireless Pilot Project officially kicked off with two retail providers demonstrating the system at the Okanogan County Fair September 4-7. The District's retail providers have identified over 300 customers who have expressed strong interest in connecting to the system, with over 250 in the Omak-Okanogan area. The access point for the Oroville area pilot project is expected to be completed the end of October.

Mr. Miller believes it is prudent to limit the pilot project to the retail providers who formally expressed support and interest in participating in the pilot and executed a communications contract at the time the Commission approved the pilot (July 29, 2003), including two retailers who were actively engaged in discussions during the development of the pilot project and who have done considerable work to be involved in the PUD's wireless pilot project, including soliciting a significant number of potential customers.

The five participants are Community Net, Gold Digger, NVI, PC Telecom and TNT Internet.

The participating retailers in the Omak area have been furnished a limited number of radio units, while the District staff works through the technical and operational issues of deploying the wireless network. Two retail providers attending the meeting today expressed the need for a higher volume of radios for testing the system. A determination will be made as to how quickly the District can acquire wireless hardware, i.e. radios and switches.

In early October, it is anticipated the District will know if the pilot should be opened to a greater number of customers, i.e. more than 40 but less than the over 300 that have shown interest. It is believed the best course of action is to proceed deliberately and make sure the deployed wireless network meets the standards of reliability and service the District has achieved with fiber.

The retailer providers will deliver a report at the September 30th Board meeting in response to the Commissioners interest in knowing how many of the 300 potential customers could be served from the Shellrock Point access point.

In regards to the SONET Network, Mr. Miller advised that over the past two years the District's OC-3 rate has been fairly competitive, while the OC-12 rate has not been competitive. The new rates are not presently in the Telecom Business Model, although Mr. Miller informed the Board that he is negotiating with a party for a significant amount of bandwidth under a revised rate schedule.

Manager Warner reported that Whatcom PUD has withdrawn as a member of NoaNet. Their decision to withdraw is primarily because BPA fiber has not been extended to Whatcom County, and they have no connection to the NoaNet fiber ring via the Seattle Westin connection. Whatcom PUD remains obligated to pay its respective share, i.e. NoaNet bonds, until 60 days after filing notice (November 1, 2003). Okanogan PUD's share will increase from 5.45% to 5.5%.

8. Student Scholarship Presentation:

Ian Thompson of Tonasket, who received an Okanogan PUD scholarship to attend the Adventures in Science and Arts program at Western Washington University, shared his camp experience. Ian thanked the District for the opportunity, and noted that he most enjoyed learning about aerodynamics and building projects.

9. Brewster Flat Irrigation District:

Walt Olsen, Manager of the Brewster Flat Irrigation District, presented a proposal for the PUD to assist the Irrigation District with the purchase and installation of electrical equipment because funding is not available for the project through the Bureau of Reclamation. The Irrigation District is prepared to reimburse the PUD over a five-year

payment schedule for a transformer and voltage regulators estimated at \$50,000 including labor.

Although the Brewster Flat Irrigation District is a wheeling customer of the PUD, the Irrigation District purchases power directly from BPA. It was noted that the legal authority prohibits the PUD from lending of credit in this situation. It was suggested that the Irrigation District pursue funding through BPA. The PUD engineering staff will review the electrical distribution system and suggest possible improvements.

10. Net Metering Policy:

Chief Engineer Derek Miller reported that he received a response from Grays Harbor PUD regarding the legal basis on which Grays Harbor PUD based their Net Metering Policy to compensate the customer-generator half of the retail power rate for the year-end balance. In the opinion of Grays Harbor's PUD attorney, this does not constitute a gift of public funds because the PUD receives something in return for the payment, i.e. the excess generation is received by the utility. However, Grays Harbor noted that it appears to their attorney that their policy is a violation of the statute, which is very clear and unambiguous. They will be discussing the matter in their next Commission meeting and anticipate revising their policy to comply with the RCW.

Mr. Miller also determined that Okanogan PUD is required to offer Net Metering. The State law he previously referred to that required utilities with more than 25,000 customers to implement a Net Metering policy was in regard to a GREEN Program.

The District's Net Metering Policy includes the revisions discussed at the August 26th Board meeting: 1) the addition of PUD and L & I contact numbers; 2) a revision to the venue clause that states that any action arising under or in connection with this Agreement shall be in a Court of applicable jurisdiction in Okanogan County; and 3) that in accordance with RCW 80.60, any and all of the kW-hr electric energy credit(s) remaining on the Customer's account shall be returned to the District at the end of each calendar year (December 31). The customer's account will then start with a zero balance (January 1).

Commissioner Johnson moved to adopt the District's Net Metering Policy as presented; Commissioner Bunch seconded; motion passed. Information on the Net Metering Policy will be made available on the District's website.

11. Review Financial Forecast:

Director of Finance Fred Burke presented a 1998 – 2008 Long-Term Operating and Cash Flow Analysis based on three different scenarios. The first analysis is a do-nothing option in which no rate adjustments are projected in any future years. The second is the rate model that was presented in the District's financial document submitted to the rating agencies and potential investors in support of the 2003 bond issuance, which incorporates a 3% increase in electric revenues in 2004 and an additional 5% increase in 2005. The

third option has two electric revenue increases in reverse order from those included in the model accompanying the 2003 bond issuance and results in a slightly stronger cash position.

There was discussion on how to fund capital construction as capital expenditures are currently being funded out of reserves from borrowed funds. It was noted that when the Board established the \$8 million minimum threshold, the District had no restricted funds and no debt.

Telecom Manager Joe Miller presented a 2000 – 2023 Telecom Business Plan based on the financial assumptions of 3% inflation, 5% cost of money, one additional OC-3 revenue beginning next year and 5% SNET growth thereafter, 40 Fiber Ethernet customers per year after '03, 15 Ethernet customers per mile built, 20% Internet growth, and 15% co-location growth.

To assist with further review, the Board requested an Operating and Cash Flow scenario that does not include borrowing, and an analysis that reflects the minimum cash position with allocated funds and without allocated funds.

12. BPA Letter of Agreement re: Operating Reserves:

Power Resource Engineer Larry Felton presented BPA Letter Agreement No. 03TX-11538, which sets forth the criteria regarding Third-Party Supply of Operating Reserves. This Agreement provides that beginning October 1, 2003 Seattle City Light will be Okanogan PUD's third-party supplier of Operating Reserves. (This concept was approved by the PUD Commissioners on June 24, 2003.)

Commissioner Bunch moved to execute BPA Letter Agreement No. 03TX-11538 for Seattle City Light to provide Okanogan PUD's Third-Party Supply of Operating Reserves; Commissioner Johnson seconded; motion passed.

13. Noel Orr Allotment – Information:

Manager Warner noted that in regard to Noel Orr's concern over easements which may have expired, Mr. Orr requested from Commissioner Johnson a list of facilities the District had on Allotment 101-861. In reviewing the maps, it appears there are two transmission structures on the transmission line the District purchased from BPA and two transmission structures on the District's transmission line serving Twisp.

The Board requested the Manager forward to Mr. Orr the map showing the facilities noted above.

14. Public Comment:

There was no public comment.

15. Meetings:

The Commissioners and Manager attended the Energy Northwest Member Forum VI in Richland on September 11-12th, including a tour of Nine Canyon Wind Project which was producing 48 MW with one turbine down. Commissioner Womack noted that traveling by airplane out of Okanogan was more productive and economical because of time constraints. He also reported that in the course of their meeting travel, Manager Warner, Commissioner Bunch and he had flown over and examined the Loup Loup transmission line and the proposed Pateros-Twisp transmission line route. Commissioner Bunch related the Energy Northwest Executive Board discussion on collective/group purchasing.

The Commissioners and Manager received an invitation to attend the Nespelem Annual Meeting on October 3, 2003 at 5:00 p.m.

Derek Miller noted the Loup Loup power maintenance outage is schedule for October 3, 2003 from 1 a.m. to 5 a.m.

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

The Board recessed for lunch from 12:20 p.m. to 12:50 p.m. President Womack reconvened the Board into regular session at 12:50 p.m.

16. Executive Session – Litigation and Personnel:

President Womack recessed the Board into executive session at 12:50 p.m. to discuss litigation and personnel.

President Womack reconvened the Board into regular session at 2:40 p.m. There being no further business to discuss, the meeting adjourned at 2:40 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary