

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan September 30, 2003**

Present:

Board:	David Womack, Darrel Bunch, Donald Johnson
Staff:	Harlan Warner, Don Coppock, Frederick Burke, Derek Miller, Joe Miller, Janet Crossland, Larry Felton, Jerry Day, Steve Brown, Julie Pyper
Other:	Michael Howe, Legal Counsel
Public:	Kirby Michael, John Andrist, Leanne Leifer, Wayne Turner, Toyne Tibbits, Bill Swayze, Jason Dodgen, Carol Visker, Susie Ives, Jere Gillespie, Ralph Malone, Owen Gardner, Gene Pitts, Mark Thompson, K.C. Mehaffey, John Combs, Carol Alexander, Kathleen Hirschstein, Brian Kirchner, Eileen Kirchner, Ann McCreary, Dale Sparber, Chris Branch, Rocklynn Culp, Eddie Palmanteer, Terry Knapton, John Larsen, Warner Bartleson, Bob Tollefson, Diana Yeckel, Donna Short, Trish Butler, Roy Webster

President Womack called the meeting of the Board of Commissioners to order at 8:30 a.m. Additional items added to the Agenda were 1) Exhibit J – BPA Slice Contract and 2) Discussion/Information regarding the Safety Net CRAC.

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. Economic Alliance
7. North Valley Hospital/Fiber Optic Report
8. Report on Wireless Pilot Project
9. Executive Session – Litigation
10. Financial Forecast/2004 Budget Review
11. Exhibit J – BPA Slice Contract
12. Public Comment
13. Meetings
14. Executive Session – Litigation

1. Approval of Minutes:

The Minutes of the September 16, 2003 regular meeting of the Board of Commissioners were presented for approval.

Commissioner Bunch moved, and Commissioner Johnson seconded, to approve the Minutes of the September 16, 2003 regular meeting.

1. – Approval of Minutes:

Commissioner Johnson presented additions and/or corrections to Item 7 (2004 Preliminary Budget) of the September 2, 2003 Minutes pertaining to reduction in revenue and the Financial Officer’s 9/1/03 flow analysis regarding retail energy sales. Director of Finance Frederick Burke presented documentation supporting 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 moved to amend the Minutes to include the additions and/or corrections he submitted. The motion failed for lack of a second. Commissioner Johnson will file a Minority Report.

4. – Transfer of Accounts:

Commissioner Johnson presented an amendment to reflect that an electrical account in the name of Anne Ringwood “was not disconnected” instead of “was connected without payment.” In addition, he added that she was without “family, telephone, transportation or funds.”

The staff noted that Ms. Ringwood did not have electrical service in her name at the home she was residing because the account had previously been established under another person’s name. The current status is that power was connected in Anne Ringwood’s name on September 26, 2003.

Commissioner Johnson moved, and Commissioner Womack seconded, to amend the Minutes to clarify the Anne Ringwood discussion. Upon the vote, Commissioner Bunch voted no. The motion passed.

11. – Review Financial Forecast:

Commissioner Johnson presented additional information regarding debt service coverage, rates, and the District’s minimum financial objective pertaining to fund balances.

Commissioner Johnson moved to amend the Minutes to include additional information regarding the financial forecast review. The motion failed for lack of a second. Commissioner Johnson will file a Minority Report.

The vote taken on the motion to approve the remaining September 16, 2003 Minutes passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

03-0206	Jeff Klimek, 224 Elberta Ave. W., Omak	\$4,531.00
03-0386	Bob Goeschl, White Rock Rd.	5,730.00
03-0403	Don Utzinger, White Rock Rd.	5,194.00

03-0433	Greg James, 109 VanDershelden Rd., Tonasket	9,385.00
03-0446	Colville Tribe Health-Dental Building, 631 Benton St., Omak	1,617.00
03-0447	Methow Valley Communications District, 407 Twisp-Carlton Rd.	7,500.00
03-0448	G.L. Palm Construction, Alder Mine Rd., Twisp	895.00
03-0450	Donna Orr, Lot 143, Munson Plat, Hwy. 153, Carlton	2,623.00
03-0453	Greg James, 109 VanDershelden Rd.	3,083.00
03-0455	Robert Guzman, 1 Calle Milagro, Brewster	2,418.00
03-0456	District, Okanogan-Twisp 115 KV	9,950.00
03-0457	Cecil Roggow, Tonasket	1,600.00
03-0458	Sean & Anita Heath, Bannon Creek	3,100.00
03-0459	District, S. Main St.	2,953.00
03-0460	A.J. & Michelle Engebretson, Hwy. 97 N. of Crumbacher	3,950.00
03-0462	Douglas Moffett, Harmony Heights, Brewster	3,009.00
	Total	\$67,538.00

Commissioner Bunch moved, and Commissioner Johnson seconded, to approve the work orders. The motion passed.

3. Approval of Vouchers:

Vouchers No.'s 78757 through 78786 in the amount of \$160,659.74, No.'s 78787 through 78865 in the amount of \$393,257.60, and No.'s 78866 through 78925 in the amount of \$1,225,803.44 were approved for payment from the revenue fund.

Commissioner Bunch moved, and Commissioner Johnson seconded, to approve the vouchers. The motion passed.

4. Transfer of Accounts:

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

Luna, Jose & Maria	Conservation Loan C00130	\$670.96
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Invoice #3364 in the amount of \$48.60 was submitted for transfer to Jack Weaser's electrical Account No. 29990-9. The invoice dated January 8, 2003 was for the cost to repair a vandalized area light and meter.

Commissioner Bunch moved, and Commissioner Johnson seconded, to approve the account transfers. The motion passed.

5. Public Comment:

Carol Alexander stated she does not feel the need for a rate increase, particularly if wholesale rates are going down, because projections show the District's cash reserves are almost double even without projects planned. (Ms. Alexander's comments will be

addressed during the agenda discussion on Financial Forecast/2004 Budget Review.) She also asked why the upgrade in the Tonasket area is scheduled prior to the Methow upgrade. Chief Engineer Derek Miller noted that loads indicate the need for a second transformer bank in Tonasket. This upgrade is in the District's substation and does not involve permitting.

6. Economic Alliance:

Dale Sparber, City of Omak Mayor and Economic Alliance Chairman, discussed the desire for an Ethernet node to serve the area surrounding the intersection of Shumway Road and Koala Avenue with Ethernet service to create economic development in North Omak. The node would be funded through a .08 infrastructure grant to the City of Omak in the amount of \$18,000 and an additional \$18,000 in funding from two entities.

The District's 2003 budget does not include funding for a node in the area proposed by Mr. Sparber because customer demand has not determined the need. In a letter responding to Bob Tollefson of the North Omak Business Park, Telecom Manager Joe Miller estimated the cost for this service at \$34,858. This amount would be considered a non-recurring charge for the provision of future Ethernet service to the area. This estimate does not include any costs for fiber from the node to end users. Existing PUD policy requires Ethernet fiber to the end user to be overhead. Since this area has no overhead, there would be a non-recurring charge for the service to be provided underground. Service over these circuits would be provided under the standard rates and policies of the PUD, i.e. service would be provided through a retailer who has executed a communications contract with the PUD at the published rate.

There was discussion about the appropriateness of a private business investing in the District's infrastructure and the possible need to address fiber optics in the line extension agreement. Mr. Sparber suggested the District bill the City of Omak \$36,000 for the requested Ethernet node. It was agreed that staff would review the economics/customer base to determine the feasibility of adding this node to the District's system as per the existing policy, utilizing only the \$18,000 grant funds. The matter will be readdressed at a future Board meeting.

Terry Knapton, Executive Director of Economic Alliance, provided an update of current and future Economic Alliance activities, and noted the organization has halfway met its goal of creating 500 jobs in Okanogan County. He requested a commitment from the District of \$5,000 per year for five years.

The District's 2003 budget includes a contribution of \$2,500 to Economic Alliance. The Board declined at this time to commit to funding beyond the \$2,500, noting the District's substantial contribution to economic development with the telecommunications program, and the need to first implement an operating budget for 2004.

7. North Valley Hospital/Fiber Optic Report:

Warner Bartleson, North Valley Hospital Administrator, thanked the District for the positive effects fiber optics is having on the North Valley Hospital operations, and detailed areas where annual savings of \$35,000 are occurring. He spoke about the exciting prospects in data and digital imaging transmission, remote diagnostic capabilities, video conferencing, remote location educational training, and instantaneous access to healthcare specialists outside of Okanogan County.

8. Report on Wireless Pilot Project:

Telecom Manager Joe Miller updated the Board on plans to issue a Request for Qualifications (RFQs) for network consulting services for operation, maintenance and expansion of the District's network. The District anticipates the need for approximately 120 hours of consulting services through 2004. The successful respondent would be required to sign a non-disclosure agreement with the District in addition to a contract for consulting services. Mr. Miller presented the Board with copies of the Legal Notice for RFQs and the Network Consultant Confidentiality Agreement reviewed by Attorney Howe.

In response to a request from the Washington PUD Association for a matrix of fiber connections of PUDs in the State of Washington, Mr. Miller distributed the 2001-2003 maps he prepared marking the service area of the District's broadband fiber connections. Miller noted he would be attending a meeting this week of the Senate Technology and Communications Committee.

Due to the overwhelming interest by customers in connecting to the wireless system, the retail providers in the Pilot Project have requested the District provide them with additional radios to test the system. Mr. Miller anticipates no technical problems that would prevent the District from releasing more radios than the 40 thus far, and recommended an additional 75 radios be purchased in September and 75 in October. Jason Dodgen of Community Net noted that he has 102 Shellrock Point line-of-site customers.) Although the retailers have indicated the need for an additional 200 radios, the District's normal purchasing procedure requires the purchase of materials in a given month not to exceed \$35,000. The PUD's cost for the radios and switches is \$800 each. The timeline for the wireless deployment is to continue the Pilot Project in the Omak area through the end of October and begin operation November 1st. The Pilot Project in the Oroville area would proceed through November.

Commissioner Bunch moved, and Commissioner Womack seconded, to proceed with the purchase of additional radios for a two-month period under the authority granted the District in an amount not to exceed \$35,000 a month. Commissioner Johnson noted his concern that the District should be proceeding deliberately and making sure the deployed wireless network meets the standards of reliability and service the District has achieved with fiber. Upon the vote, Commissioner Johnson voted no. The motion passed.

9. Executive Session – Litigation:

President Womack recessed the Board into executive session at 11:30 a.m. to discuss litigation.

President Womack reconvened the Board into regular session at 12:37 p.m.

10. Financial Forecast/2004 Budget Review:

Director of Finance Fred Burke provided three additional 1998-2008 Long Term Operating and Cash Flow Analyses that do not reflect a bond issuance or associated debt service for the proposed Methow transmission line (the District would pay for the project from generated revenues just as it would any other smaller capital project). The first analysis is a do-nothing option in which no rate adjustments are projected in any future years. The second analysis is the revenue increase model that was presented in the District's financial documentation submitted to the rating agencies and potential investors in support of the 2003 bond issuance, and incorporates a 3% increase in electric revenues in 2004 and an additional 5% in 2005. The third analysis reflects consistent small electric revenue increases occurring on an annual basis throughout the entire timeframe of the projection. The scenarios also include itemized restricted funds and total allocated funds, along with the proposed cash management goal and unallocated year-end cash position.

The "\$8 million minimum threshold" will increase from the current \$8.3 million to \$15.1 million in 2002 and \$16.6 million in 2003 with additional bond funds restricted by the bond covenants. The total allocated funds reflect a recommendation to increase the temporary cash reserves from \$4 million to \$6 million due to average monthly expenditures. The revenue fund less warrants outstanding was also recommended to increase from \$500,000 to \$1 million.

Mr. Burke noted that releasing the bond proceeds for construction from the restricted funds would fund the current needs, but without a rate increase the District would face a 2006 budget deficit of \$7.4 million.

The budget will be readdressed at the October 14, 2003 meeting, with a hearing and final adoption scheduled for October 28, 2003.

11. Exhibit J – Slice Contract:

Power Resource Engineer Larry Felton discussed the District's execution of Revision No. 3, Exhibit J Technical Operating Procedures to Contract No. 00PB-12145 (Block and Slice Power Sales Agreement). Exhibit J is one of several exhibits to the BPA Slice/Block Contract that are revised from time to time. This particular exhibit was brought to the Board's attention because it had several detailed changes, including Section 7(i) which allows the Slice customer, within specified limits, to move power around in time.

12. Public Comment:

Roy Webster noted a meeting is scheduled in Ephrata on October 2, 2003 at 7:00 p.m. regarding the PUD/fiber-optics issue. A representative of Bill Gates will be in attendance.

13. Meetings:

Commissioners Johnson submitted highlights of the Washington PUD Association Board of Directors meeting that he and Commissioner Womack attended in Republic on September 19, 2003.

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., October 14, 2003 at the Okanogan PUD Auditorium.

14. Executive Session – Litigation:

President Womack recessed the Board into executive session at 2:00 p.m. to discuss litigation.

President Womack reconvened the Board into regular session at 2:50 p.m. There being no further business to discuss, the meeting adjourned at 2:50 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary