

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
May 11, 2004
Okanogan PUD Auditorium**

Present:

Board: David Womack, Darrel Bunch, Donald Johnson

Staff: Chuck Berrie, Don Coppock, Joe Miller, Larry Felton, Derek Miller,
Dan Boettger, Debra Peters, Steve Brown, C.J. Hack, Julie Pyper

Other: Michael Howe - Legal Counsel
Penny Eckert - Tetra Tech FW, Inc.

Public: Lance Haney, Harlan Warner, Rebecca Meadows, William Swayze,
Jason Dodgen, Ann McCreary, Terry Knapton, Marlene Rawley, Bob
Tollefson, Maeyowa, Sharon Berrie, John Andrist, Roy Baker, Roy
Webster, Roberta Donnor, Dee Camp, Jeri Gillespie

President Womack called the meeting to order at 8:30 a.m. and asked for any additional agenda items. Manager Berrie requested a discussion under the meetings section pertaining to the Energy Northwest Participants Review Board election. Commissioner Johnson requested a change in the agenda order so that items 11 and 12 pertaining to the Tetra Tech discussion would follow item 7.

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. Telecommunications Update
7. Electrical Consultants, Inc. Discussion
8. Public Comment Specific to Tetra Tech and
Methow Transmission Line Environmental Impact Statement
9. Tetra Tech and EIS Discussion
10. Information on Potential Biomass Project
11. Conservation-Augmentation Agreement with Oroville School District
12. Customer Newsletter
13. Public Comment
14. Meetings
15. Executive Session - Personnel/Litigation

1. Approval of Minutes:

Commissioner Bunch moved, and Commissioner Johnson seconded, to approve the Minutes of the April 27, 2004 regular meeting.

Commissioner Johnson moved to correct the amendment for Agenda Item 7 of the April 13, 2004 Minutes (Resolution No. 1278 - Establishing Manager's Salary) to read as follows: Commissioner Johnson presented information from Washington PUD Association statistics and Mr. Berrie's salary handout comparing Okanogan PUD's 2002 electrical (omit sales) data and manager salary to three other comparable districts. The motion failed for lack of a second. Commissioner Johnson clarified that motions should be included in the Minutes as stated.

Upon the vote to approve the Minutes, Commissioner Johnson voted nay, and the motion carried.

2. Approval of Work Orders:

There were no work orders submitted for approval.

3. Approval of Vouchers:

Vouchers No.'s 81714 through 81742 in the amount of \$201,952.34, No.'s 81743 through 81796 in the amount of \$1,244,366.41, No.'s 81797 through 81894 in the amount of \$85,755.10, and No.'s 81895 through 81926 in the amount of \$321,382.47 were approved for payment from the revenue fund.

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

4. Transfer of Accounts:

The conservation loan balance of \$148.94 in the name of Charles Overose (Account No. 15095) was submitted for write-off/collection due to nonpayment.

Commissioner Bunch moved, and Commissioner Johnson seconded, to approve the account transfer. The motion carried.

5. Public Comment:

Maeyowa inquired as to the maintenance planned for the May 14th outage of the distribution line that serves the Northern portion of the Methow Valley.

Roy Webster inquired as to any plans for fiber extensions between the Canadian Border and the Colville Tribe.

Harlan Warner announced that he will be filing for Darrel Bunch's Commission seat. He also stated that the Buckhorn Mountain mine would be a substantial benefit to the Okanogan PUD ratepayers.

Terry Knapton, Executive Director of Economic Alliance, thanked the PUD for participating in economic development through endorsement of the mine in Chesaw.

Maeyowa read a letter to the Commissioners from George Wooten of the Kettle Range Conservation Group regarding his belief that the PUD Commissioners violated the Open Public Meetings Act during the April 27, 2004 meeting when they discussed whether to sign a letter of support for the Kinross mining venture. (Commissioner Womack clarified that he had indicated to Commissioner Bunch that he planned to present a letter to the Board; however, Commissioner Bunch had no prior knowledge of the contents of the letter.)

Commissioner Johnson read a letter to the Commissioners from Michael Mazzetti regarding the Buckhorn Mountain mine and his allegation that Echo Bay Minerals has been supporting terrorists and foreign corporations.

Lance Haney noted the positive impact of the new mining company and the benefit to the Oroville School District through taxes paid by Battle Mountain Gold.

Dugan Henderson credited the tax payers of District No. 4 for paying for the Oroville High School remodeling project -- not Battle Mountain Gold or Kinross.

Commissioner Bunch noted that Battle Mountain Gold was taxed from the beginning of the permitting process.

Commissioner Johnson read a letter to the Commissioners from Vicky Welch of Twisp about a number of people that spoke with consultant Jim Thornton following the meeting in Tonasket regarding Tetra Tech costs.

6. Telecommunications Update:

In a telecom update, Telecommunications Manager Joe Miller reported that the fiber system is now carrying traffic between Verestar and the Westin Building in Seattle, with reliability being one of the reasons Verestar chose Okanogan PUD for transport (the PUD's backbone network has been down less than one minute a year since operation began). Fiber connections currently total 87, and it is anticipated that all schools from Pateros to Oroville will be connected to fiber by the end of May. The hospitals in Brewster, Omak and Tonasket are also

utilizing broadband fiber connections. The Koala Ethernet node is set, and work continues on building the distribution fiber system. Mr. Miller noted that the District is in the early stages of developing an Ethernet Service Area plan based on city limits.

Three wireless sites have been constructed - Shellrock Point (Omak/Okanogan), Number Mountain (Oroville), and Coleman Butte (Omak) which went live on May 1st. The Jackass Butte site (Okanogan) is expected to proceed this summer after technical and access issues are addressed. The wireless end users now number 255, with monthly revenue at \$5,610.00 (not including Internet). Of the \$384,000.00 authorized by the Commission for 2004 wireless deployment, \$294,180.00 has been spent to date.

The telecom revenue in April was over \$30,000.00, which exceeded the District's business model projections. Internet traffic is growing about 20% a month, and traffic for April was 600,000 megabits of data, which represents around five to ten million e-mails or web pages.

Mr. Miller also addressed growth opportunities and the advancement of technology in the area of broadband service over power lines. Various pilot projects in the industry are being run to explore the potential of broadband service over power lines and some projects designed for specific systems are working in very dense areas; however, broadband power line connectivity is not ready at this time for commercial deployment, especially in rural areas.

Strong interest in both wireless and fiber connections continues, and demand for service has exceeded the District's expectations. Based on very positive customer response to the first three wireless sites, retail service providers are requesting additional sites. Although not all ratepayers support the telecom project, several retail providers, business representatives and individuals expressed support today of wireless/fiber and encouraged the PUD to hire another telecom employee to meet the needs.

7. Electrical Consultants, Inc. Discussion:

As a result of the staff's review of the Agreement for Professional Engineering Services between the District and Electrical Consultants, Inc. of Billings, Montana, and as a result of an information request from Commissioner Johnson at the April 13, 2004 meeting, it was determined that the District utilized the services of ECI beyond the terms of the contract.

Director of Finance Don Coppock presented a review of the contract with ECI, which period of service was three years from August 1, 1997. The total aggregate cost of all hourly engineering services and direct expenses associated with the contract was \$575,791.00. The scope of work defined by the agreement consisted of finalizing conceptual design, preliminary engineering,

physical and electrical design for 115 kV substation additions at Brewster and Twisp, a new 115 - 13.2 kV substation at Methow, as well as design of a new 115 kV transmission line, approximately 26 miles in length, between Pateros and Twisp, as outlined in the Methow 115 kV Transmission Project Report and Conceptual Arrangement Drawings presented by ECI. Changes in the project scope, i.e. re-routing and additional consulting services, increased the payment to ECI by an additional \$235,118.00 over the contract limit.

In recognition of this oversight, staff is addressing procedures for tracking the status of new and existing contracts. In addition, the District has ceased working with ECI and will be submitting a Request for Quotations for engineering services. Attorney Howe commented that State statute requires the District to publish its need for engineering services periodically or by individual project. In addition, a written contract is not legally required for the District to conduct business with contractors (payments are authorized by the Commission through voucher approval).

A written summary will be made available to the Commissioners of the work product and subsequent expenditures of the ECI contract since 2000.

8. Public Comment Specific to Tetra Tech and Methow Transmission Line Environmental Statement:

In regards to her inquiry as to how field surveys can be performed if road plans are not yet identified, Maeyowa requested access to the potential access maps developed by Tetra Tech as well as access to all GIS data.

Bob Tollefson supported funding the EIS and building the transmission line.

Marlene Rawley supported forward development and building the transmission line.

Roy Webster asked if a study exists that shows how much the utility has expended to appease the obstinate public.

Commissioner Johnson supported building the Loup Loup line. He read a letter dated February 22, 2002 from the Methow Valley Ranger District's John Newcom stating that the extent of environmental analysis would be dependent on effects, and that an Environmental Assessment would be produced if the effects are non-significant.

9. Tetra Tech and EIS Discussion:

Manager Berrie stated that to move forward, the District must do an Environmental Impact Statement for the Methow Valley transmission line project. Forest Service Supervisor Jame Boynton, in a letter dated May 10,

2004, said that the baseline studies, surveys and analysis would be the same with either an Environmental Assessment or an Environmental Impact Statement. For this reason, where the Forest Service determines that significant impacts may be likely, they will issue a notice of intent to proceed with an EIS. In response to this information, Commissioner Johnson pointed out that the Forest Service said that preliminary discussions suggested that it was likely an EIS would be required; however, the Forest Service letter also said that since the present Loup Loup line is in a designated utility corridor, if the proposal had been to rebuild that line it would have been unnecessary to study other alternatives.

Mr. Berrie provided an overview of the need and purpose for the transmission line project and EIS. He noted that he is dedicated to completing the EIS, but not to promoting one line over another.

At the request of the PUD staff, Tetra Tech Project Manager Penny Eckert recently attended a two-day session in Okanogan to discuss scope change for the project and to discuss and develop an adjusted scope, schedule and budget for the completion of the EIS. Her discussion today with the Commission focused on the costs associated with specific project tasks.

In an effort to reduce costs while addressing purpose and need, Commissioner Womack suggested eliminating the valley floor option, while Commissioner Johnson suggested eliminating the Loup Loup hot rebuild with 15 miles of new transmission line and the Loup Loup line with ancillary generation. From an environmental standpoint, Eckert said she did not believe eliminating the Loup Loup hot rebuild with 15 miles of new transmission line and substation would create a conflict; however, dropping the Loup Loup cold rebuild, alternate temporary generation (diesel/biomass), with distribution upgrade would need to be discussed with the co-lead agency, Forest Service (under NEPA, the Forest Service is obliged to review alternatives that cross Forest Service lands). Commissioner Bunch supported the EIS as the best alternative for the PUD to accomplish its goals.

Commissioner Bunch moved, and Commissioner Womack seconded, to authorize the Manager to modify the Tetra Tech FW, Inc. Environmental Impact Statement Contract for the Methow Valley Transmission Line Project by accepting the proposed increase in the scope of work as presented to the Board of Commissioners on April 13, 2004 and increasing the contract budget by \$513,593.00 to a new amount of \$934,435.00. Commissioner Johnson noted that the budget already includes \$300,000.00 to continue the studies, and he supported continuing the two-day discussion with staff to find ways to reduce costs. Upon the vote, Commissioner Johnson voted nay. The motion carried.

The Board recessed for lunch from 1:35 p.m. to 2:05 p.m.

10. Information on Potential Biomass Project:

Manager Chuck Berrie informed the Commission that as a result of preliminary discussions with the Forest Service regarding a potential biomass project, he attended a demonstration on May 7, 2004 at the Winthrop Forest Service building where manufacturer Fred Beierle demonstrated a device that converts wood products to pellets and then to methane gas. The Forest Service would be interested in leading such a project to reduce fuel loading in the forests, while the PUD's part in the process would be utilization of its diesel generators. Grant funding opportunities to finance the project will be explored.

11. Conservation-Augmentation Agreement with Oroville School District:

Energy Services Assistant Steve Brown reported that he was contacted by Quantum Engineering of Seattle regarding a potential Conservation-Augmentation program for the Oroville School District to upgrade their HVAC and lighting systems in the elementary school. The expected 989,000 kWh savings and reduced energy costs of \$53,000.00 would be achieved through Con-Aug, which is a Bonneville Power Administration energy conservation program that provides funding for cost-effective energy conservation projects. Participating utilities act as the intermediary between BPA and the utility customer to implement the proposed measures. Such an agreement would require the PUD to decrement its load from BPA by the amount of quantified savings. Quantum Engineering is an energy services company authorized by the State of Washington to perform engineering analyses for public agencies. The State would fund such a project knowing that Quantum Engineering guarantees its analyses. Before proceeding, Mr. Brown noted that the Conservation Department would require a letter of intent from the Oroville School District.

Commissioner Johnson moved, and Commissioner Bunch seconded, to authorize staff to proceed with a Conservation-Augmentation Agreement for the Oroville School District through the Bonneville Power Administration. The motion carried.

12. Customer Newsletter:

Energy Services Coordinator Debra Peters presented a customer newsletter that she and Steve Brown produced at the request of management. The first edition of the bi-monthly customer newsletter is ready for delivery to the District's 19,000 customers. Mailing costs will be kept to a minimum by including the newsletter with the customer's bill. Printing quotes received from local and out of county businesses ranged from \$1,000.00 - \$6,000.00 for a 19,000 copy newsletter. Commercial Printing of Wenatchee was selected to print a colored newsletter with seven days' lead time for \$1,199.00 (approximately 6¢/copy). The yearly cost for six issues is \$7,220.00.

Commissioner Johnson moved, and Commissioner Bunch seconded, to authorize the production and distribution of a District newsletter with the understanding that the content will be favorably reviewed by a consensus of the Board prior to printing. Commissioner Womack noted that any consensus action would need to occur at a Board meeting. It was agreed that staff would review the newsletters followed by comment from the Commissioners. Upon the vote, the motion carried.

13. Public Comment:

Maeyowa inquired as to when the public would have an opportunity to review the EIS costs. She also asked if the EIS would have a format for determining cost estimates of the various alternatives that will be researched.

14. Meetings:

The participants in Energy Northwest's Columbia Generating Station will hold their annual election for the nine members of the Participants' Review Board during the Northwest Public Power Association annual membership meeting on May 19, 2004 in Victoria, British Columbia. Commissioner Johnson is currently Okanogan PUD's member on the PRB. He will not be attending that meeting this year and has notified the PRB of his interest in continuing as a member.

The next Washington PUD Association meetings will take place at the Red Lion Seattle Airport on May 12-14, 2004. Commissioner Johnson will attend the Board meeting on May 14th. The agenda will include a NoaNet Commissioner workshop on May 13th from 10:00 a.m. until noon to look at the current operation and review financial forecasts. The District will not have a representative in attendance; however, Joe Miller will inquire as to video conferencing.

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., June 1, 2004 at the Okanogan PUD Auditorium.

15. Executive Session - Personnel/Litigation:

The Commission recessed into executive session at 3:15 p.m. to discuss personnel and litigation. Manager Berrie informed the Commissioners they would see several job vacancies advertised, and they might be asked about all of the apparent hiring activity. This is a result of several recent retirements and openings - not as a result of increasing the number of employees. Further, it is expected that some of the positions would be filled internally, which would result in additional hiring to backfill. One position would be to fill a pending retirement in engineering, and there would be one additional employee, which is the previously budgeted Telecommunications Technician to accommodate the increase in related workload. In addition, Jerry Seaver, who

recently retired as Purchasing Supervisor, will return occasionally on a temporary basis for training, vacation relief and inventory.

The Commission reconvened into regular session at 4:10 p.m. There being no further business to discuss, the meeting adjourned at 4:10 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary