

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
June 1, 2004
Okanogan PUD Auditorium**

Present:

Board:	David Womack, Darrel Bunch, Donald Johnson
Staff:	Chuck Berrie, Don Coppock, Larry Felton, Derek Miller, Dan Boettger, Debra Peters, Don Clutter, Steve Brown, Julie Pyper
Other:	Michael Howe - Legal Counsel Maggie Hall - Marten Law Group
Public:	Brian Kirchner, Harlan Warner, Roberta Donnor, Vicky Welch

President Womack called the meeting to order at 8:30 a.m. The agenda was amended to include a BPA settlement update and introduction of the second customer newsletter.

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. Ophir Permit Filing
7. Adventures Camp
8. Customer Newsletter
9. Electrical Consultants, Inc. Update
10. Resolution No. 1279 - Declaring Certain Equipment of the District Surplus and Authorizing the Sale Thereof
11. Update on Emergency Procedures during Outage
12. 6-29-04 Commission Meeting Location
13. BPA Settlement Update
14. Public Comment
15. Meetings
16. Executive Session - Personnel & Litigation

1. Approval of Minutes:

Commissioner Bunch moved, and Commissioner Johnson seconded, to approve the Minutes of the May 11, 2004 regular meeting.

Commissioner Johnson moved, and Commissioner Bunch seconded, to correct Item 1 - Approval of Minutes to state: *Upon the vote to approve the Minutes, Commissioner Johnson voted nay, and the motion carried.* The motion on the correction carried.

Commissioner Johnson moved to amend Item 5 - Public Comment to include the statement that *Harlan Warner also supported increasing the Tetra Tech EIS Budget from \$420,842 by \$513,593 to a total of \$914,435.* Commissioner Johnson withdrew his motion upon Mr. Warner's denial of the statement.

Commissioner Johnson moved to amend Item 7 - Electrical Consultants, Inc. Discussion to add the statement that *Twelve payments were made after the contract expired. Each authorization was to identify the task and the associated fee, while billing rates were to be revised at least once annually. Neither the contract nor procedures were followed.* The motion failed for lack of a second.

Commissioner Johnson moved to amend Item 7 - Electrical Consultants, Inc. Discussion to add following Attorney Howe's comment that State statute requires the District to publish its need for engineering services periodically or by individual project: *This has not been done since 1997.* In addition, a written *valid* contract is not legally required for the District to conduct business with contractors (payments are authorized by the Commission [omit and through voucher approval]). Attorney Howe noted that including "valid" in the statement would be the opposite of what he had said. The motion failed for lack of a second.

Commissioner Johnson moved to amend Item 8 - Public Comment Specific to Tetra Tech and Methow Transmission Line Environmental Statement by adding: *At the Tonasket meeting Commissioner Johnson had suggested that the expense of an EIS might be avoided, referring to a USFS February 22, 2002 letter to him stating that an EIS might not be required (it was copied to PUD Commissioners). Manager Berrie could not find a copy and Commissioner Womack expressed his doubts. They referred to a USFS letter received at their request dated May 10, 2004 stating that "Because Loup Loup transmission line is already in place, and the Okanogan National Forest Land and Resource Management Plan recognizes it as a designated and appropriate use, no other alternatives to the Loup Loup line locations would likely have been necessary." This suggests that the current EIS project costs exceeding \$1 million could have been avoided by rebuilding the Loup Loup line.* The motion failed for lack of a second.

Commissioner Johnson moved to amend Item 9 - Tetra Tech and EIS Discussion by adding: *In reviewing the history of the proposed new Twisp/Pateros transmission line the following was included: In 1998 the PUD issued a DNS (determination of non-significance) and after a PUD Hearing in 1999 affirmed*

that DNS. In 2000 the courts reversed the commission and ordered an EIS before proceeding with the proposed T/P line. In 2001 Foster-Wheeler issued their report "System Description and Evaluation of Alternatives...". From August 2002 to March 2003 mediation meetings were held weekly without settling on a preferred alternative. In July 2003 the PUD accepted (2:1) the \$420,842 Tetra Tech proposal to complete an EIS. Although Manager Berrie concluded that the Board of Commissioners had concurred that Tetra Tech was the preferred consultant the Board was unanimous in 2002 that no more funding would be committed for any more studies by this firm (then Foster-Wheeler). The rationale for the current increased cost (\$420,000 to \$934,000) was that the project was now better defined providing a better estimate. It was also pointed out that EIS costs would not be limited to the services of Tetra Tech.

The need for a new or rebuilt line was shown by a figure illustrating peak growth history from 18 MW in 1990 to 24 MW in 1999 and 2003. Another figure illustrated a drop in voltage at the Twisp substation from 113 kv to 110 kv between 1 am and 6 am. Although growth in meters (customers) continues to increase in the Methow Valley (especially north of Twisp), the school district is troubled by decreasing enrollment, which may indicate fewer families and growth in retirees and part-time residents.

Costs for EIS work between one and two million dollars are not uncommon; however, the incidence of firms more than doubling their contracted budget was not reviewed. The effect of "dedicated opposition" and promoters on costs was discussed. There was an attempt to estimate the cost to ratepayers of delaying action. The risks of power failure with extreme low winter temperatures, wind, fire, and ice storms were presented. The staff recommended that the Board authorize the Manager to accept the increased scope of work and contract budget from \$420,842 to \$934,435. The motion failed for lack of a second.

Commissioner Johnson moved to amend Item 8 - Public Comment Specific to Tetra Tech and Methow Transmission Line Environmental Statement by adding: Commissioner Johnson recalled that Tetra Tech in their April 12 proposal, stated "we look forward to discussing these costs...and looking for ways to reduce them." And he presented a number of unjustified increases in costs and discussed exploring alternatives which would reduce costs. The motion failed for lack of a second.

Commissioner Johnson moved to amend Item 13 - Public Comment by adding: Manager Berrie would not confirm that line item cost estimates for all alternatives would be part of the EIS (the original Tetra Tech Project Manager had stated this would be required). Berrie stated that while cost would be a factor in the decision it would not be dealt with in the EIS. The motion failed for lack of a second.

Commissioner Johnson moved, and Commissioner Bunch seconded, to amend Item 14 - Meetings to state that Commissioner Johnson is currently Okanogan PUD's *member* on the Participants' Review Board, and that *he will not be attending that meeting this year and has notified the PRB of his interest in continuing as a member.* In addition, *Commissioner Johnson will attend the Washington PUD Association Board meeting on May 14, 2004.* The motion carried.

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

2. Approval of Work Orders:

The following work orders were submitted for approval:

02-0141	Dana Dykes, 85 Hendrick Rd.	\$86
02-0209	Colville Indian Power & Veneer	390,00
03-0557	District, Omak River Rd.	95,22
04-0109	Degerstrom, Sand Dust Rd.	21,04
04-0113	Gerb DeJong, 29 Horse Spring Coulee Rd. (Rev. #1)	7,98
04-0147	District, Pateros	62
04-0150	Dean Johnson, Luna Lane, Chewiliken Valley Rd.	4,38
04-0168	Duane Coon & Holly Daniel, Mundy Rd., Twisp (Rev. #1)	3,92
04-0182	Carole Gish/Douglas Runyan, 2178 Hwy. 153, Carlton (Rev. #1)	1,79
04-0186	Dave Howe, 1790 Old Hwy. 97	4,24
04-0193	District/MacLeod Pappidas, 312 Burgar St., Twisp	51
04-0198	Ernie DelRosario, East of Oroville	1,27
04-0201	John Sinclair, 414 Twisp-Carlton Rd.	3,85
04-0202	Gaery Rutherford, Hidden Acres Short Plat	1,00
04-0203	Larry Surface, 26 Surface Lane, Twisp	3,72
04-0204	District, Koala Ave., Omak	4,02
04-0205	District, Whitestone Substation	1,36
04-0206	District, Tonasket Substation	1,20
04-0207	District, Mundy Rd., Twisp	11,01
04-0209	Scott Robbins, 22 Brooks Tract Rd., Omak	1,24
04-0211	District, Limebelt Rd.	82
04-0214	District, Oroville Substation	2,09
04-0215	Lucas & Lindsay Evans, 239 Twisp-Carlton Rd.	2,89
04-0219	District, 69 Carlton Rd.	71
04-0221	Bob Strock, 24 Lookout Trail Rd. (Twin Creeks)	1,71
04-0222	District, 180 Greenacres Rd.	1,09
04-0230	William Cooper, 586 Aeneas Valley Rd.	3,66
04-0235	District, Hwy. 153, MP 21.2	86
04-0236	Gebbers Farms, Inc., Old Hwy. 97, Brewster	6,38

04-0240	Debra & Leslie Asplund, 214F Twisp-Carlton Rd.	75
04-0245	Dick Prendergast, Twisp-Carlton Rd., MP 2.4	1,19
04-0246	Honey West, Malott Eastside Rd.	91
04-0249	District, Swanson Mill Rd.	1,29
04-0252	District, Omak Lake Rd.	3,06
	Total	\$586,78

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

3. Approval of Vouchers:

Vouchers No.'s 81927 through 81952 in the amount of \$214,367.90, No.'s 81953 through 82002 in the amount of \$224,085.34, No.'s 82003 through 82074 in the amount of \$1,717,262.74, No.'s 82075 through 82101 in the amount of \$165,136.20, and No.'s 82102 through 82160 in the amount of \$917,086.99 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:

Submitted for transfer was the balance of \$131.30 from the closed commercial account #32130-7 to the active residential account #35715-2 of customer Atayde Gamez.

Submitted for transfer was the balance of \$181.37 from the closed commercial account #44587-4 to the active residential account #45226-8 of customer Cheryl Walsh.

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

5. Public Comment:

Vicky Welch read a letter from George Wooten, and endorsed by Teresa Allen, Michelle Mondot and Vicky Welch, requesting that a reply be included in the public record from the Commissioners about whether they are aware of their responsibilities under the Open Public Meetings Act, i.e. Wooten's belief that Commissioners Bunch and Womack had conferred privately before the Board meeting to approve the vote to support the Kinross Mining venture.

(Commissioner Womack stated he was aware of his responsibilities, and he clarified at the meeting today as well as the May 11th meeting 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.) Welch also submitted on behalf of Wooten a request for record information pertaining to the Agreement between the PUD and Electrical Consultants, Inc.

6. Ophir Permit Filing:

Manager Berrie informed the Board that an application for a temporary air quality permit for the Ophir Grade diesel generator site was filed with the Department of Ecology on May 25, 2004. The permit is essential to allow the District and Cummins Northwest to complete modifications and testing of the diesel generators as per the Settlement Agreement.

7. Adventures Camp:

Conservation Services Coordinator Debra Peters reported that in an effort to promote community awareness on energy and the environment, Okanogan PUD will provide scholarships for two students to attend a one-week "Adventures in Science and Arts" camp at Western Washington University. This year's scholarship recipients, Aubrey Baker of Okanogan and Patrick Phillips of Omak, will participate in the camp's Electricity and Lego Engineering workshop. The students will make a presentation at a future Board meeting on their camp experience.

Scholarship applications were made available to students currently in the 7th or 8th grade that live in households that receive electricity from the PUD. The District has previously sponsored three students; however, this year's camp applicants numbered two.

8. Customer Newsletter:

Debra Peters noted that the next edition of the District newsletter is ready for review by the Commission. Plans are to include the newsletter as a mailing insert with the July 8th billing statements. Following discussion, it was agreed that approval of the newsletter would be a June 15th agenda item.

9. Electrical Consultants, Inc. Update:

As a result of recent discussions regarding the District utilizing the consulting services of Electrical Consultants, Inc. beyond the terms of the contract, Manager Berrie noted that staff is in the process of publishing a RFQ (request for quotations) and drafting an Agreement for Professional Services. Mr. Berrie clarified that the services of ECI will not be utilized until new procedures are in place; however, those services might occur prior to an RFQ being issued due to work in progress.

Chief Engineer Derek Miller provided a report detailing the date, work description and amount of invoices that exceeded the term of the ECI contract. Transmission line routing and design for the Crown Jewel (Kinross) project are reimbursable line items on the report because of the mining company's \$40,000 project deposit. In addition, approximately \$30,000 of reimbursable Colville Indian Power and Veneer upgrades are also listed on the report. Mr. Miller noted that an ECI representative is scheduled to meet with District personnel on June 7th.

10. Resolution No. 1279 - Declaring Certain Equipment of the District Surplus and Authorizing the Sale Thereof:

Manager Berrie presented Resolution No. 1279 declaring certain equipment of the District surplus and authorizing the sale thereof. The District intends to sell three surplus cars and three surplus pickups at the Chelan County Public Auction on June 26, 2004.

Commissioner Womack requested a cost comparison of transporting the vehicles to the action versus employees driving the vehicles.

Commissioner Bunch moved, and Commissioner Johnson seconded, to adopt Resolution No. 1279. The motion carried.

Director of Finance Don Coppock informed the Board that Douglas County PUD is interested in purchasing three of the District's nine 1,500 KVA pad-mount transformers that were purchased during the energy crisis. Douglas PUD intends to purchase the units at the District's cost (\$12,000/each). Mr. Coppock recommended to the Board that the three pad-mount transformers be sold to Douglas PUD. A Resolution will be presented to the Board for approval at the June 15, 2004 meeting.

11. Update on Emergency Procedures during Outage:

Manager Berrie reported that during the recent power outage, the generator that provides emergency power for the Okanogan office was unable to provide adequate voltage to the uninterruptible power supply to the phones and computers. The generator is located inside the building and is old and in need of upgrading. The staff will evaluate having the unit placed outside the main building, and intends to bid the purchase of a replacement generator utilizing contingency funds since this is not a budgeted item. The estimate is \$10,000.00 - \$20,000.00.

12. 6-29-04 Commission Meeting Location:

The June 29, 2004 Commissioner's meeting will be held in Brewster at 6:00 p.m. at the Grange Hall located at 25905 Highway 97.

13. BPA Settlement Update:

Manager Berrie reported that he received notice from Steve Johnson of the Washington PUD Association that BPA Administrator Steve Wright has signed a Record of Decision with respect to Bonneville Power Administration's proposed contracts or amendments to existing contracts with the regional Investor Owned Utilities (IOUs) regarding the payment of residential and small-farm consumer benefits under the Residential Exchange Program Settlement Agreements. This is expected to reduce BPA's power costs by about \$200 million for FY 2005/06, with half of this amount waived and half deferred to FY 2007-2011. Under the proposal, BPA would provide a level of certainty for the IOUs, as BPA is committed to allocating the equivalent of 2200 AMWs as financial benefits. The proposed contracts replace the rate case price forecast with a mark-to-market methodology to determine the market price and provide a yearly \$100 million floor and a \$300 million cap for the financial benefits. The contracts would also result in a reduction in the augmentation costs contained in the Load-Based Cost Recovery Adjustment Clause by about 9%, which would contribute to lower rates by about 6% for a large segment of BPA's customers. BPA hopes to have signed agreements with the IOUs by June 1, 2004.

14. Public Comment:

Vicky Welch requested detailed information regarding the billings from ECI for the Methow Transmission Project EIS support.

15. Meetings:

Commissioner Johnson reviewed proceedings of interest from the May 13 - 14, 2004 Washington PUD Association meetings he attended.

Commissioner Bunch reported on Energy Northwest's May 21, 2004 bond sale.

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., June 15, 2004 at the Okanogan PUD Auditorium.

16. Executive Session - Personnel & Litigation:

President Womack recessed the Commission into executive session at 10:08 a.m. The staff discussed pending retirements and personnel requirements.

President Womack recessed the Commission into regular session at 11:30 a.m.

Commissioner Johnson moved, and Commissioner Bunch seconded, to authorize staff to hire a replacement Customer Service Representative and fill two Meterman positions, one of which may be an apprentice, and authorized the

Manager to hire a Director of Operations and a summer college intern for the Telecommunications Department. The motion carried.

A special Board meeting was scheduled for June 7, 2004 at 3:00 p.m. The only agenda item will be an executive session to discuss litigation and personnel.

There being no further business to discuss, the meeting adjourned at 11:35 a.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary