

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Brewster Grange Hall
June 29, 2004**

Present:

Board: David Womack, Donald Johnson
Staff: Chuck Berrie, Don Coppock, Larry Felton, Don Clutter, Steve Brown,
Julie Pyper
Other: Michael Howe - Legal Counsel
Public: Maeyowa, Rebecca Meadows, John Umberger, Roberta Donnor

President Womack called the meeting to order at 6:00 p.m. Additional agenda items submitted by Commissioner Johnson included a customer letter discussion; State Audit Report; rules regarding conducting Commission business; and the future of rates in 2005 and 2006. Manager Berrie requested a brief discussion regarding outages and the State Auditor's Report.

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. Information Request Procedures Update
7. Block and Slice Power Sales Agreement
(Letter Agreement Superseding BPA Exhibit N)
8. Self-Supply of Operating Reserves
(Letter to BPA's Transmission Business Line)
9. Update on BPA Rates
10. Customer Letter
11. State Audit Report
12. Rules Regarding Conducting Commission Business
13. Outage Report
14. Public Comment
15. Meetings
16. Executive Session - Litigation

1. Approval of Minutes:

Commissioner Johnson moved and Commissioner Womack seconded to approve the Minutes of the June 15, 2004 regular meeting.

Commissioner Womack moved and Commissioner Johnson seconded to amend the June 15, 2004 Minutes (Item 9 - Personnel Update) to include the following language after the motion to authorize the salary adjustment of the Director of Regulatory and Environmental Affairs: "The motion carried." The motion on the amendment was carried.

Commissioner Womack moved and Commissioner Johnson seconded to amend the June 15, 2004 Minutes (Item 12 - Public Comment) by substituting "city" in place of "town" in reference to Commissioner Womack's statement that while sitting on the Omak City Council, the city's insurance carrier suggested that city council meetings not be taped.

Commissioner Johnson commented that since the District is paying for Marten Law Group's advice, it would be a good idea to follow their advice to audio record the Minutes until the insurance company advises otherwise. Director of Finance/Auditor Don Coppock noted that Chief Accountant Fred Burke discussed the matter with Richard Rodruck of Pacific Underwriters (administrator of the utility's insurance pool, Public Utility Risk Management). Rodruck advised that an audio recording is a tool for preparing Minutes, but it was his suggestion that a tape recording not be retained following preparation of the Minutes. Attorney Howe noted that Attorney Hall of the Marten Law Group recommended the District record that section of the Minutes pertaining to the EIS public comment. He also noted that the city's self-insurance company had recommended the city discontinue the practice of tape recording meetings.

Upon the vote, the motion was carried.

Commissioner Johnson moved and Commissioner Womack seconded to amend the June 15, 2004 Minutes (Item 1 - Approval of Minutes) to include the following statement after Commissioner Womack's clarification regarding Commissioner Johnson's amendments: Commissioner Johnson objected that this comment was not made or discussed at the June 1 meeting. The motion was carried.

Commissioner Johnson moved and Commissioner Womack seconded to amend the June 1, 2004 Minutes (Item 1 - Approval of Minutes) to include the following statement pertaining to his questioning why staff revised the draft Minutes regarding the Update on Emergency Procedures During Outage: Commissioner Johnson noted that the staff-initiated change did not concern any questions of accuracy. The motion was carried.

Commissioner Johnson moved and Commissioner Womack seconded to amend the Minutes from the June 1, 2004 meeting that amended the Minutes from the May 11, 2004 meeting pertaining to (Item 9 - Electrical Consultant's Inc. Update) to state with respect to contract negotiation with selected firms that

... Legal Counsel Howe who had supplied the above information clarified that neither of the quoted RCWs require negotiations. Attorney Howe inquired as to what information Commissioner Johnson was referencing. Commissioner Johnson responded that it was statute information, and he agreed to amend his motion to state ... who had supplied the above statute information Attorney Howe also noted that the reference to RCW 39.80.005 was incorrect and should be RCW 39.80.010. Upon the vote, the motion was carried.

Commissioner Johnson moved to amend the Minutes from the June 15, 2004 meeting (Item 5 - Methow Transmission Project EIS Public Comment Guidelines) to state that Commissioner Womack refused to accept public comment on this agenda item before it was acted on. Commissioner Womack noted that per Resolution No. 1266, the Board established two periods on the agenda for public comment. Commissioner Womack also said that he had requested comments be presented in the form of questions. Commissioner Johnson responded that that process should then be the same for all agenda items. The motion died for lack of a second.

Upon the vote on the Minutes as amended, Commissioner Womack voted to approve the Minutes. Commissioner Johnson voted nay and the motion died for lack of a second. Approval of the Minutes will be held over to the July 13, 2004 meeting.

2. Approval of Work Orders:

The following work orders were submitted for approval:

04-0056	Donald Tatley, Watson Draw Rd., Pateros (Rev. #1)	\$20,458.00
04-0273	District, Hwy. 97 N. of Tonasket	1,861.00
04-0289	District, Grape St.	552.00
04-0291	District, 987B Twisp-Carlton Rd.	635.00
04-0298	Bill Burman, 42 Crest Dr.	1,533.00
04-0299	District, Crest Dr. 9 Mile Ranches	1,910.00
04-0300	District, Kirkpatrick Rd.	980.00
04-0307	Mike Farrens, Danker Cutoff	693.00
04-0310	District, Maple Hall Substation	757.00
04-0311	Riverside Sportsman Club, Pharr Rd.	828.00
	Total	\$30,207.00

Commissioner Johnson moved and Commissioner Womack seconded to approve the work orders. The motion was carried.

3. Approval of Vouchers:

Vouchers No. 82363 in the amount of \$86,743.29, No.'s 82364 through 82446 in the amount of \$237,609.82, No.'s 82447 through 82464 in the amount of

\$169,670.03, and No.'s 82475 through 82509 in the amount of \$993,462.13 were approved for payment from the revenue fund.

Commissioner Johnson moved and Commissioner Womack seconded to approve the vouchers. The motion was carried.

4. Transfer of Accounts:

There were no accounts or invoices submitted for write-off/collection.

5. Public Comment:

Manager Chuck Berrie read the Methow Transmission Project Environmental Impact Statement Public Comment Guidelines that were adopted at the June 15, 2004 meeting. He noted that a Public Comment Form was created to ensure that comments intended for consideration in the EIS process are not confused with public comment expressed to the Board of Commissioners as part of a regular meeting. Public comment forms will be provided for EIS comments at every Board meeting, and are also available on the web at www.okanoganpud.org. As noted on the form, comments may also be submitted via mail, e-mail or fax.

John Umberger expressed concern with the District's billing/late notice policy. The Commission agreed to address the matter along with item 10.

Maeyowa expressed concern that the Forest Service had not been accurately or fully made aware of the option of a hot-line rebuild for the Methow Transmission Line Project. She read a 4-15-99 letter to the Methow Valley News editor from former PUD Manager Warner wherein he noted the dangers and cost of rebuilding the existing line. She also read a letter to the PUD dated 5-6-03 from hot-line rebuild, Petelco, Inc., stating that Ron Dillon of the Department of Labor and Industries had expressed no concerns over Petelco's methods.

Commissioner Johnson moved to accept the legal advice given the District and begin audio recording all public comment sections of Board meetings. The motion died for lack of a second.

6. Information Request Procedures Update:

As a municipal corporation of the State of Washington, Okanogan PUD is subject to the Washington State Statutes pertaining to release of records. In response to requests from the public and in direct relation to the Methow Transmission EIS Project, the District's public information disclosure policies were recently reviewed. Steve Brown was appointed by the Manager to manage the public record requests, with Debra Peters as a secondary backup.

Steve Brown noted that he reviewed the RCWs specific to the Open Public Meetings Act and Public Records, as well as the Attorney General primer on public records. Requests for Records must comply with the statute in that they must be for a public record and must be identifiable. Certain exceptions include information that would be highly offensive to a reasonable person, of no legitimate public concern, or specifically exempt pursuant to the statute. The District presently requires persons requesting records to complete a Request for Records form, which the District is required to respond to within five days. Staff is also in the process of implementing a position statement for posting at all District offices. Attorney Howe noted that a handout on public records disclosure is available to the District through the Municipal Research Center.

7. Block and Slice Power Sales Agreement (Letter Agreement Superseding BPA Exhibit N):

Power Resource Engineer Larry Felton informed the Board that Bonneville Power Administration and Okanogan PUD, as well as other BPA Slice customers of the Block and Slice Power Sales Agreement, Contract No. 00PB-12145, have determined, using load and resources studied, that BPA Firm Capability will be approximately equal to or exceed BPA Firm Obligations for Contract Years 2005 and 2006. Therefore, BPA has proposed the parties enter into a Letter Agreement that supersedes Exhibit N of the Block and Slice Power Sales Agreement for the next two BPA Fiscal Years 2005 and 2006, whereby BPA has agreed to not withhold any Slice contracted power.

Upon the recommendation of the Power Resource Engineer, Commissioner Johnson moved and Commissioner Womack seconded to approve the BPA Contract No. 04PB-11503 Letter Agreement as presented, and authorize the Manager to sign the Letter Agreement. The motion was carried.

8. Self-Supply of Operating Reserves (Letter to BPA's Transmission Business Line):

As a BPA customer and as owner of a percentage of the Wells Project, Okanogan PUD is required to maintain a percentage of operating reserves. The District currently has an agreement with Seattle City Light, as a third-party provider, to supply Okanogan PUD's operating reserves for Fiscal Year 2004; however, the agreement is subject to termination if the District notifies Seattle City Light of its ability to self-supply operating reserves from its Slice output.

Larry Felton presented a proposed letter from the District to BPA requesting to supply operating reserves from the District's Slice entitlement for Fiscal Year 2004-05 (October through September), as required under the Point to Point Transmission Agreement No. 01TX-10686.

He advised that negotiations are continuing between BPA and an aggregated group of Slice customers, which would enable the District to combine with two other Slice customers (Pend Oreille PUD and Franklin PUD) to self-supply required operating reserves. Franklin PUD's Slice scheduling agent, Power Resource Managers of Bellevue, would act as coordinator for the group. Minimal costs are expected, although a service agreement would be required with PRM as well as side agreements with the two utilities. The District presently pays the Transmission Business Line \$130,000/year for supplying operating reserves associated with purchases under the BPA contract. By self-supplying, Felton anticipates a net savings to the District of \$100,000/year, as BPA's Power Business Line costs as well as other costs are expected to be in the range of \$30,000 for Okanogan PUD.

If the self-supply issue is not resolved by October 1, 2004, Okanogan County PUD is requesting of BPA to continue its third-party supply through Seattle City Light until such time as there is resolution of Slice self-supply issues.

Commissioner Johnson moved and Commissioner Womack seconded to authorize the Manager to send a letter to the BPA Transmission Business Line requesting to supply operating reserves from the District's Slice entitlement for Fiscal Year 2004-05 (October through September), as required under the Point to Point Transmission Agreement No. 01TX-10686. The motion was carried.

9. Update on BPA Rates:

Larry Felton presented a handout on BPA rates and power costs, and noted that 78% of the District's Calendar Year 2004 estimated power supply costs are BPA power purchases. He reported that BPA anticipates a reduction in the Load Based Cost Recovery Adjustment Clause of \$200 million; however, even with the LB CRAC reduction, the forecasted total rates for FY 2005 are forecast to be higher than in FY 2004, although FY 2006 forecasted rates are substantially lower. By mid-August, BPA Administrator Steve Wright is expected to issue a determination on rates for the upcoming rate period. Based on current projections, BPA is looking at a 4.6% increase for FY 2005 and a 5.9% decrease for 2006.

Felton noted that FY 2004 is the fifth year in a row of below average January-July runoff and the second lowest set of four consecutive water years on record. However, with the stabilization of BPA rates, the District expects to see a small reduction in wholesale power costs over the two-year period.

Commissioner Johnson distributed his handout on Future Rates-BPA and PUD for 2006, wherein he noted that BPA rates are projected to decrease 6-8% in 2005; that necessary PUD system improvements can be made without additional borrowing and rate increases; and that PUD customers should be involved in related public deliberations and decisions.

10. Customer Letter:

Commissioner Johnson discussed a letter that the Commissioners and Manager received from a customer that had her service disconnected for nonpayment. The customer's letter stated that the \$84 portion of her electrical bill would be late, but would be made after a certain date. When that date passed without receiving payment, the District tagged the customer's door with the customary disconnect notices followed by disconnection of service. Johnson noted that the customer acknowledged her responsibility, but desired a phone call or letter rather than a door notice, which she said she did not see because it was placed on a front door that she does not use. In addition, she claimed the first notice was removed by the PUD when the second notice was left. In this case, Commissioner Johnson felt that it did not make sense to disconnect and reconnect her account with costs of \$120 because she promised to pay and gave the PUD the date her bill would be paid. He requested that management relieve her of a portion of the \$120 costs. Director of Finance/Auditor Don Coppock noted that the customer said she would pay her late bill by June 1st, but that she did not pay the bill until June 10th. (Electrical bills are due within 15 days, with late notices issued after 30 days.) Coppock agreed to review the customer's credit history and report back to the Board.

In regards to John Umberger's late notice, he expressed a desire for the District to call faithful paying customers prior to sending out a second late notice. He noted that he had only been late with his payment twice in 32 years.

Following discussion, it was agreed that staff would review the current policy for possible changes to improve customer service.

11. State Audit Report:

Commissioner Womack requested to postpone discussion on the State Audit Report pending an opportunity to review the report. Commissioner Johnson denied the request and presented his comments on the 2002 State Audit Report issued June 11, 2004. It was noted that articles relating to the report appeared in local newspapers before staff had a chance to review the contents of the report and before the Commissioners had received a copy of the report. Commissioner Johnson asked why this report was not on the June 15th or June 29th agenda.

After further discussion, it was agreed that the matter would be readdressed following a review of the Audit Report, including the Management Letter from the audit exit conference.

12. Rules Regarding Conducting Commission Business:

Commissioner Johnson presented a handout on rules regarding conducting Commission business, wherein he noted that in 2003, the Board precedent on officer reorganization was abandoned and rules established in 1974 (Resolution No. 811) were abandoned with the omission of Robert's Rules of Order, elimination of provision for inclusion of dissenting opinions with the Minutes (Minority Report), and reference to audio recording of meeting proceedings.

In an effort to improve accuracy and reduce time spent on approval of Minutes, Commissioner Johnson moved that the draft of Minutes submitted to the Commissioners for their approval will include all clarifications, corrections or additions presented by any Commissioner or staff prior to the meeting. Any questions regarding whether such material was presented would be dealt with in the next open public meeting. The motion died for lack of a second. Commissioner Womack responded that he wanted time to think about the matter, and he requested that Commissioner Johnson resubmit his motion at the next meeting.

13. Outage Report:

Manager Berrie noted that the District suffered a number of temporary outages and losses of equipment (transformers, fuses, etc.) during the electrical storm on June 25th. With the significant number of poles fires in June, including assistance rendered to Nespelem, the District intends to purchase additional fire extinguishers.

14. Public Comment:

In regards to the BPA discussion pertaining to the utility's cash position, Maeyowa supported a rate reduction or rebate for Okanogan PUD customers.

15. Meetings:

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., July 13, 2004 at the Okanogan PUD Auditorium.

16. Executive Session - Litigation:

President Womack recessed the Commission into executive session at 8:45 p.m. to discuss litigation.

President Womack reconvened the Commission into regular session at 9:20 p.m. There being no further business to discuss, the meeting adjourned at 9:20 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary