

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Okanogan PUD Auditorium  
July 13, 2004**

**Present:**

Board: David Womack, Darrel Bunch, Donald Johnson  
Staff: Chuck Berrie, Don Coppock, Larry Felton, Steve Brown, Julie Pyper  
Other: Michael Howe - Legal Counsel  
Public: Harlan Warner, Lance Haney, Brian Kirchner, Vicky Welch, Roberta Donnor

President Womack called the meeting to order at 8:30 a.m. Additional agenda items submitted by Commissioner Johnson included Customer Service Billing; State Audit Report; Rules Regarding Conducting Commission Business; and the Tetra Tech FW Progress Report. Manager Berrie deleted the executive session discussion on personnel and added to the agenda a Regional Transmission Organization Update; Public Power Council Meeting Report; and Fuel Mix 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. Mid-Year Financial Update
7. Resolution No. 1281 - Authorizing Manager to Sign Agreement for Communication Transport Services
8. WPUDA Mutual Aid Plan
9. Set Commission Meeting Schedule
10. Customer Service Billing
11. State Audit Report
12. Rules Regarding Conducting Commission Business
13. Tetra Tech FW Progress Report
14. Regional Transmission Organization Update
15. Public Power Council Meeting Report
16. Fuel Mix Report
17. Public Comment
18. Meetings
19. 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 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 the Board established two periods on the agenda for public comment.

Commissioner Johnson responded that he favors comments and questions, but that the rules should be enforced the same for everyone on all agenda items. The motion died for lack of a second.

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 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. The motion 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 carried.

Commissioner Johnson moved 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 died for lack of a second.

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. The motion carried.

Upon the vote to approve the June 15, 2004 Minutes as amended, Commissioners Bunch and Johnson voted nay. The motion died in a 1-2 vote.

Following discussion, Commissioner Johnson moved and Commissioner Womack seconded to accept the June 15, 2004 Minutes as submitted and amended. The motion carried.

Commissioner Johnson moved and Commissioner Womack seconded to amend the June 29, 2004 Minutes (Item 10 - Customer Letter) to state that the customer said her late payment would be made after a certain date, and to state (according to the Director of Finance/Auditor) that the customer did not pay the bill until June 10th. The motion carried.

Commissioner Johnson moved and Commissioner Womack seconded to amend the June 29, 2004 Minutes (Item 11 - State Audit Report) to substitute "presented" for "distributed" in reference to Commissioner Johnson's comments, and to add the statement: Commissioner Johnson asked why this report was not on the June 15th or June 29th agenda. The motion carried.

Upon the vote to approve the June 29, 2004 Minutes as amended, the motion carried.

## 2. Approval of Work Orders:

The following work orders were submitted for approval:

03-0384	Gary Jefferson, Hwy. 153, Carlton (Rev. #1, #2)	\$6,196.00
03-0578	Pat Harris, Smith Rd.	5,512.00
04-0181	Ron Lawver, 158 Golden Rule Rd.	7,290.00
04-0242	Darrell Routien, Hwy. 153, MP 16	1,003.00
04-0256	Rich Lange/Guy Payne, A St., Conconully (Rev. #1)	1,256.00
04-0260	District, N. Pine Creek Rd.	2,127.00
04-0262	District, Star Rd., Brewster	2,389.00
04-0271	Seccomb Orchard, 98 O'Neil Rd.	3,174.00
04-0272	Krzym Kochanski, Eastlake Rd.	1,760.00
04-0274	Methow Valley Irrigation District, Poorman Creek Rd., Twisp	8,976.00
04-0276	Nick Jorg, Lemanasky Rd.	5,867.00

04-0277	Nathan Fulwiler, Bannon Creek Rd.	5,286.00
04-0279	Roxanne DeHart, 351 Frosty Creek Rd.	1,767.00
04-0280	District, Hwy. 7 - S. of Loomis "Y"	903.00
04-0282	Wayne Wells, Robinson Canyon Rd. & Copple Rd.	1,741.00
04-0283	District, 514 June St., Twisp	869.00
04-0288	Bob Leinweber, 179 Fletcher Rd.	4,164.00
04-0292	Larry Lassila, 101 S. Main St., Omak	2,874.00
04-0293	Lloyd Dovel, 157 Burma Rd., Methow	1,985.00
04-0297	District, Hospital Way, Brewster	5,959.00
04-0303	City of Pateros/Okanogan County Fire District #5, Pateros	4,678.00
04-0305	Bruce Jones, Hwy. 7	5,007.00
04-0317	Chuck Donaghy, MP 15.5, Hwy. 153, Dream Lane, Methow	1,556.00
04-0318	EV Beslow, 51 N. Fork Rd.	2,392.00
04-0320	District, 115 Lakeshore Dr., Pateros	778.00
04-0321	Dan Shiflett, Rodeo Trail	676.00
04-0324	Dan Shiflett, Rodeo Trail	1,200.00
04-0327	District, 26235 Hwy. 97, Brewster	611.00
	Total	\$87,987.00

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

### 3. Approval of Vouchers:

Vouchers No.'s 82510 through 82542 in the amount of \$261,570.18, No.'s 82543 through 82570 in the amount of \$184,554.23, and No.'s 82571 through 82719 in the amount of \$519,392.22 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:

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. 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](http://www.okanoganpud.org). As noted on the form, comments may also be submitted via mail, e-mail or fax.

In the interest of saving money, Vicky Welch urged the Commissioners to first rebuild the Loup Loup line. She suggested that excess funds from power sales be used for an inverted tier program to lower electric rates for residential ratepayers that use average or less electricity. She also inquired as to the availability of the District's budget reports.

## **6. Mid-Year Financial Update:**

Power Resource Engineer Larry Felton noted that at mid-year both wholesale and retail power sales revenues exceed budget forecasts. For the first six months of calendar year 2004, wholesale power sales actuals were \$4.3 million compared to the budgeted estimate of \$3.8 million. This increase reflected in 6,518 more megawatt hours (5.8% increase) and additional revenue of \$539,215.00 (14.2% increase). Retail sales actuals through June were \$14.9 million compared to an estimate of \$13.9 million. The excess retail revenue over budget (\$1,037,356.00) is largely due to cold weather increasing the load during November 2003 through February 2004. Felton also credited better power prices and stream flows at 83% of normal. In response to public comment regarding lowering rates with excess power sales, Felton noted that that is presently done to help lower all rate classes.

Director of Finance/Auditor Don Coppock noted that revenues and expenditures look better than anticipated, and the District expects to be in better financial shape at the end of the year than it was at the beginning of the year. A Period End Cash Analysis conservatively estimates the 12/31/04 cash position at \$18.6 million; however, that figure is more likely to reach \$21.5 million if the trend continues. (Budget Status Report reflects a \$2 million total budget surplus through May 2004.)

## **7. Resolution No. 1281 - Authorizing Manager to Sign Agreement for Communication Transport Services:**

Chuck Berrie presented Resolution No. 1281 authorizing the Manager to sign Agreements for Communication Transport Services. Said agreements are entered into from time to time between the District and customers desiring to obtain communication transport services on Okanogan PUD's fiber-optic cable system. The Board of Commissioners previously adopted a form agreement, but did not indicate that the Manager was authorized to sign the agreements.

Commissioner Johnson moved and Commissioner Bunch seconded to adopt Resolution No. 1281 authorizing and directing the Manager to approve and execute Agreements for Communication Transport Services between the District and customers desiring to obtain communication transport services on the District's fiber-optic cable system pursuant to the terms and conditions set forth in the previously prepared and approved form agreement for said services. The motion carried.

#### **8. WPUDA Mutual Aid Plan:**

Manager Berrie presented the Washington Public Utility Districts' proposed Mutual Aid Plan. Washington State PUDs have traditionally worked closely on many matters, including the provision of mutual assistance for storm response and recovery. The general objective of the Mutual Aid Plan and Agreement is to provide the organizational framework, terms and conditions, including reimbursement, under which all PUDs agree to provide assistance to each other when resources can be made available in response to any request. This plan will also suffice as a Mutual Aid Agreement meeting the requirements of the Federal Emergency Management Agency for reimbursement of eligible response costs in the event of a qualifying major disaster or emergency.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize the Manager to proceed with a Mutual Aid Plan and to sign the agreement. The motion carried.

#### **9. Set Commission Meeting Schedule:**

In addition to the July 27, 2004 meeting at 6:00 p.m. in Oroville at the Depot, the Commission set the following meeting schedule:

August 10, 2004 Okanogan PUD Auditorium 8:30 a.m.

August 24, 2004 Okanogan PUD Auditorium 6:00 p.m.

September 7, 2004 Okanogan PUD Auditorium 8:30 a.m.

September 21, 2004 Okanogan PUD Auditorium 8:30 a.m.

#### **10. Customer Service Billing:**

Discussion continued from the last meeting on customer service billing and disconnect procedures. In particular, the Board readdressed the matter involving the customer that had notified the PUD in a letter that the unpaid portion of her electrical bill would be paid after June 1st. When that date passed without receiving payment, the District tagged the customer's door with the customary disconnect notices followed by disconnection of service. 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.

Director of Finance/Auditor Coppock reviewed the customer's payment history and noted that the customer did receive a collection letter that she paid from for the first part of her payment. Even though the customer said she would pay her late bill after June 1st and did not pay the bill until June 10th, staff acknowledged that in this case the customer was not sent a final notice because she had notified the District in a letter that she would be paying her account late. In addition, the first notice should not have been removed from the door. Due to the non-standard approach and communication mix-up, Commissioner Johnson supported waiving the reconnection fee of \$80 (with the customer to pay the \$40 disconnect fee). Coppock noted that he and Customer Service Supervisor Kathy Gordon are reviewing current billing policies and will present at a future Board meeting a proposal to address possible changes to customer service billing procedures.

Commissioner Johnson moved and Commissioner Womack seconded that due to a communication mix-up and non-standard approach, the District will accept responsibility in the sum of \$80 for reconnecting customer account number 39849. The motion carried.

Steve Brown of the Energy Services Department noted that a company from Canada is marketing a 'pay as you go' meter system, which allows a consumer to purchase electric credits on a card that inserts into the customer's meter. Additional information has been requested from the company.

## **11. State Audit Report:**

Commissioner Johnson presented his concerns regarding the 2002 State Auditor's Report. He pointed out that the Auditor did not mention the Electrical Consultants, Inc. payments without a contract or authorization (that exceeded the 1997-2000 contract by \$235,118), nor the legal requirement that the PUD publish its needs for professional services annually (not done since 1997). Johnson also pointed out that the financial statements audit contained the latest information reported by the PUD, and that in 2002 retail sales exceeded total operating expenses by about \$600,000 and retained earnings in 2002 were up over \$2 million from 2001 and receipts from customers up over \$9 million, while payments to suppliers and employees were up less than \$8 million. He believes this information is relevant when rate increases are considered. In addition, he pointed out that construction in progress for projects not fully completed or utilized totaled \$24,310,423 as of 12/31/02, including \$13 million for the diesel generation site and \$4.3 million for

telecommunications, and that pending litigation regarding the diesel generators is stated to provide potential liability of less than \$500,000, although at this time the liability is \$685,000 plus legal fees of over \$500,000. Johnson also said that dissenting opinions were omitted from the Minutes.

Don Coppock indicated that the budget report reflects that half of the \$685,000 noted above has been paid. Manager Berrie stated that ECI was authorized to perform work after 2000 by verbal agreement and through Board approved vouchers (Johnson responded that the vouchers were approved to pay for services already performed). Berrie said he was not comfortable with statements in the Minutes implying that the Auditor failed to perform their function. He cautioned that such statements could inadvertently imply to the Auditor a substandard business operation, which is not the case. Attorney Howe stated that a similar issue was discussed a year ago, and it is not in the best interest of the District to tell the State Auditor where the PUD didn't fully comply. Commissioner Womack noted that the views stated by Johnson are not the views of the entire Board.

## **12. Rules Regarding Conducting Commission Business:**

Commissioner Johnson noted that in 2003, 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 recordings of meeting proceedings.

Commissioner Johnson moved, in an effort to improve accuracy and reduce time spent on approval of Minutes, 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, and that any questions regarding whether such material was presented would be dealt with in the next open public meeting. Commissioner Womack questioned the accuracy of additional information included with Commissioner Johnson's submitted changes. Commissioner Bunch said he was okay with changes being submitted for consideration, but that he does not want the changes included in the draft Minutes. The motion died for lack of a second.

Commissioner Johnson moved that the District return to following Robert's Rules of Order in conducting Board meetings (Commission business). Attorney Howe advised that if the Commissioners were to adopt Roberts Rules of Order, they would have to be very specific as there are many different versions. Commissioner Bunch noted that the District has adopted a Resolution since Resolution No. 811 regarding the rules and procedures for Board meetings. The motion died for lack of a second.

Commissioner Johnson moved that the Commission return to its historic precedent of reorganizing (rotating) Board officers annually at the first meeting in January. Commissioner Womack said that he had no problem with reorganizing the Board by election each January, but he would not guarantee it would be on a rotating basis. Attorney Howe advised that reorganizing (rotating) may be a synonym, so reference may need to be made to 'elections'. Commissioner Johnson agreed to amend his motion to state that the Commission return to its historic precedent of reorganizing the Board and electing officers annually at the first meeting in January. Commissioner Womack seconded the motion. Following discussion on the amendment, Commissioner Womack repealed his second, but stated that he agreed with an election every January and agreed with restructuring committees. The motion died for lack of a second.

In noting that the need expressed (June 15, 2004 Agenda Item 6 - Public Comment Guidelines) for an "exact record" to be accurately recorded with written input (form, e-mail or fax) was recommended with no stipulation regarding oral input, Commissioner Johnson moved that public comments be audio recorded to provide an exact record of oral comments and related discussion. Johnson pointed out that the PUD insurance carrier has no problem with this procedure and PUD contracted legal counsel (Marten Law Group with June 15 and July 6 vouchers totaling \$31,045.59) has advised it. Commissioner Womack said he believed the insurance carrier said there was no problem with using a recording for only preparing the Minutes, and that the Marten Law Group recommended recording public comment dealing with the EIS only. The motion died for lack of a second.

### **13. Tetra Tech Progress Report:**

The District is in receipt of Tetra Tech's Progress Report for the Methow Valley Transmission Line Project dated 7-2-04 with accompanying invoice in the amount of \$108,687.44. It was noted that additional budget funds of \$593,800.00 remain. Commissioner Johnson obtained approval to contact Tetra Tech's Project Manager for further clarification of report issues.

### **14. Regional Transmission Organization Update:**

Manager Berrie attended Slice CEO and PPC meetings last week in Portland. He noted there is a big push nationally to have a Regional Transmission Organization (RTO) to handle all transmission issues. With the Federal Energy Regulatory Commission indicating a need for RTOs, the Northwest has debated the development of a RTO for approximately 10 years. Since the Northwest does not have the problems that the East has, the Northwest Delegation and Public Power are opposed to a RTO West. Several utilities and agencies in the

region have come together as a "Transmission Issues Group" and have developed recommended improvements to the Northwest transmission system as an alternative to RTO West. The group is asking that letters of support be sent to BPA stating the position that moving forward with a RTO at this time is detrimental to everyone and there is no benefit in the Northwest to justify the cost.

Manager Berrie was authorized to draft for the Board's review a letter to BPA supporting the Transmission Issues Group process.

#### **15. Public Power Council Meeting:**

Manager Berrie informed the Board of issues discussed at the July Public Power Council meeting, and that the outcome of the summer fish spill will be known in a couple of weeks. He noted that BPA's Transmission Business Line has begun its rate case for 2006 and beyond (re: who pays for ancillary services, load losses, etc.). With BPA's separation into a business side and transmission side, there is impact to the District as a transmission customer if costs are pushed to the transmission side. Under considered regarding cost allocation are General Transfer Agreements. The District has a GTA with BPA to the Methow for the Co-op. Also discussed was the long-term future of BPA and PPC's position that it is best to allocate the system today (Larry Felton has been involved in meetings regarding the proposed method of allocation.)

#### **16. Fuel Mix Report:**

Don Coppock presented the District's Fuel Mix Report for calendar years 2002 and 2003. The Washington Department of Community, Trade and Economic Development conducts an annual survey of all electric utilities operating within the State in order to determine the generation source of the electric energy sold to the utilities' respective retail customers. CTED uses this information to develop a statewide database and then provides each electric utility with a Fuel Mix Report listing the fuel type utilized in providing the electric service (hydro, nuclear, wind, coal, natural gas, biomass, petroleum, other) and the percentage of each source of power. Although accurate for purposes of the report, the figures may not truly reflect the District's actual power portfolio since the District normally has more power resources than load, i.e. wind provides approximately 7% of the District's power needs although the report lists this source at 3.63%. The difference is due to the Report's method of reducing each resource pro-rata to match the total load figures presented in the Report.

The fuel mix information will be included in the September customer newsletter with an explanation that the District deals with more renewable 'green' power than what the report reflects.

#### **17. Public Comment:**

Brian Kirchner commended the PUD staff for being very cooperative and helpful with customers' financial matters. He suggested the PUD newsletter include a notation that customers should talk to the PUD staff if they need special consideration regarding a financial situation.

#### **18. Meetings:**

Manager Berrie noted that Commissioners Womack and Johnson will be attending Washington PUD Association meetings in Shelton on July 15-16, 2004.

Manager Berrie and Director of Finance/Auditor Coppock will attend meetings of the Central Washington Public Utilities Group at Grant County PUD on July 15, 2004. Berrie noted that the process of collective bargaining is beginning now that the utility is in the last months of the existing Union contract.

The next Okanogan PUD Board meeting is scheduled for 6:00 p.m., July 27, 2004 at the Old Oroville Depot Historical Society. The Depot is located in Oroville at 1201 Ironwood Street.

#### **19. Executive Session - Litigation:**

President Womack recessed the Commission into executive session at 12:20 p.m. to discuss litigation.

President Womack reconvened the Commission into regular session at 1:06 p.m.

Commissioner Bunch moved and Commissioner Johnson seconded to authorize the Manager to sign a letter to BPA Administrator Steve Wright on behalf of the Slice customers. The motion carried.

There being no further business to discuss, the meeting adjourned at 1:08 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary