

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Location: Okanogan PUD Auditorium
August 24, 2004**

Present:

Board: David Womack, Darrel Bunch, Donald Johnson
Staff: Chuck Berrie, Don Coppock, Larry Felton, Derek Miller, Dan Boettger, Debra Peters, Steve Brown, Julie Pyper
Other: Michael Howe - Legal Counsel
Public: David Linn, Ernie Bolz, Brian Kirchner, Patrick Phillips, Aubrey Baker, David Baker, Michele Baker

President Womack called the meeting to order at 6:00 p.m. Manager Berrie submitted as additional agenda items 1) moving the scholarship speakers up in the agenda; 2) SNAP Resolution; 3) BPA Rates and Budget Discussion; 4) Wireless Budget Update; and 5) adding HDR to agenda item 7 regarding the Professional Services Agreement.

Summary Agenda

1. Adventures Camp Student Presentations
2. Approval of Minutes
3. Approval of Work Orders
4. Approval of Vouchers
5. Approval of Transfer of Accounts
6. Public Comment
7. Professional Services Agreement with ECI and HDR
8. SNAP Resolution No. 1283
9. Wireless Budget Update
10. BPA Rates and Budget Discussion
11. Public Comment
12. Meetings
13. Executive Session - Personnel and Litigation

1. Adventures Camp Student Presentations:

Aubrey Baker of Okanogan and Patrick Phillips of Omak shared their camp experiences from the Western Washington University Adventures in Science and Arts program they attended in July. The students were sponsored by the District to attend the one-week camp, which has an energy, environmental or conservation component attached to the curriculum. While participating in Electricity and Lego Engineering classes, the students designed electrical circuit boards, built electromagnetic motors and studied gear ratios.

2. Approval of Minutes:

Commissioner Bunch moved and Commissioner Johnson seconded to approve the Minutes of the August 10, 2004 regular meeting.

Commissioner Johnson moved to amend the August 10, 2004 Minutes (Item 6 - SNAP [Sustainable Natural Alternative Power]) to insert: Using the Net Metering Agreement, provided for by State law, the PUD could provide up to \$1/KWh for SNAP power. Following discussion and input from the Conservation staff, Commissioner Johnson amended his motion as follows: The Okanogan PUD SNAP Program could provide up to \$1/KWh for power. The motion was seconded by Commissioner Bunch and unanimously carried.

Commissioner Johnson moved to amend the August 10, 2004 Minutes (Item 8 - Customer Newsletter) to insert: A spread sheet provided by Mr. Felton indicated that 23% of the total power purchased in 2004 by the PUD may be resold resulting in a net profit of \$6.5 million. That is 42% of the projected BPA bill and may result in a significant reduction in 2004 power costs. Commissioner Johnson withdrew his motion after it was pointed out that the spread sheet, given to him at his request by Larry Felton, was not presented at the Board meeting and had not been provided to all of the Commissioners.

Commissioner Johnson moved to amend the August 10, 2004 Minutes (Item 8 - Customer Newsletter) to insert: Commissioner Johnson explained that Annual Reports to Commissioners from 1989 through 2001 (the last produced) indicated that Wells Dam provided from 40 to 73% (average over 50%) of Okanogan PUD's energy. This is important because this resource costs about one third of the BPA rate. Wells Dam power helps the PUD maintain lower rates when faced with BPA rate increases. Increased efficiency in use (conservation) and use of renewable power by customers decreases the need for the PUD to purchase power at the higher rates. In the last five years for which data is available BPA power averaged 53% of the total purchased, as opposed to the "two-thirds" cited in the newsletter; Commissioner Johnson suggested agreement on "most". Power from Wells Dam over those five years averaged 40%, not the "nearly 30%" in the newsletter; Johnson suggested agreement on "a large portion". Commissioner Womack did not agree with the accuracy of the information presented by Commissioner Johnson, and said he felt the focus should be on where the utility is today and not where the average was over the last five years. The motion died for lack of a second.

Commissioner Johnson moved to amend the August 10, 2004 Minutes (Item 8 - Customer Newsletter) to change the following sentence: "Following discussion, clarification was made to the BPA article to state that Okanogan PUD receives most of our energy from BPA and it represents nearly [change 80% to 70%] of

our power supply costs." Power Resource Engineer Larry Felton stated that he calculated the percentage at 78%. The motion died for lack of a second.

Commissioner Johnson moved to amend the August 10, 2004 Minutes (Item 16 - Annual Reports) to change the following sentence: With the additional Accountant on staff, Commissioner Johnson requested that [omit he soon receive] the 2002 and 2003 Annual Reports [add be completed soon]. In addition, he requested copies of the Auditor's Reports since 1999 (he has received 2003). The motion died for lack of a second.

Upon the vote of the Minutes as amended, Commissioner Johnson voted nay. The motion was carried.

3. Approval of Work Orders:

There were no work orders submitted for approval.

4. Approval of Vouchers:

Vouchers No.'s 83155 through 83156 in the amount of \$97,371.38, No.'s 83157 through 83239 in the amount of \$292,002.15, No.'s 83240 through 83267 in the amount of \$184,830.45, and No.'s 83268 through 83359 in the amount of \$1,314,447.64 were approved for payment from the revenue fund.

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

5. Transfer of Accounts:

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

6. 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. As noted on the form, comments may also be submitted via mail, e-mail or fax.

David Linn of Okanogan expressed his thanks to Okanogan PUD for operating a well-run organization. He also appreciated the PUD's timely and quick performance when he built his home.

7. Professional Services Agreement with ECI and HDR:

Chief Engineer Derek Miller presented an Agreement for Professional Services, which was developed by staff after evaluating similar agreements of other utilities and publishing a request for qualifications. The General Services portion of the Professional Services Agreement sets out the limited engineering services that from time to time the District will request an engineering firm to provide. The Specific Services portion requires a written authorization defining the scope of services, which will contain specific project task requirements, including the time and budget limitations, and will be issued as an Appendix A to the Agreement. Rates, which may be bid project specific or hourly, will be set out in an Appendix B and shall be subject to yearly renegotiation, with the District to be given 30 days' written notice of the Engineer's intent to renegotiate the rates. The Professional Services Agreement will be interfaced with the District's requirement by statute (RCW 39.80) to annually publish its need for professional services. The selection of professional services firms will be based on qualification and secondarily by rate.

Staff recommended entering into Professional Services Agreements with Electrical Consultants, Inc. and HDR for projects up to \$25,000 without prior Board approval. Following discussion, it was understood that the total aggregate of small jobs may exceed \$25,000, although each job will have a separate voucher unless billed in the same month. The Manager noted that staff is also working on developing a similar document for non-engineering and architectural services.

Commissioner Bunch moved and Commissioner Johnson seconded to authorize the Manager to enter into Professional Services Agreements with Engineering Consultants, Inc. and HDR. The motion unanimously carried.

Commissioner Bunch moved and Commissioner Johnson seconded to limit small projects under the General Services provision of the Professional Services Agreement to \$25,000, and that projects in excess of \$25,000 shall require Board approval. The motion unanimously carried.

8. SNAP Resolution No. 1283:

At the August 10, 2004 meeting, the Commission approved Resolution No. 1283 subject to approval of the District's legal counsel.

Following Attorney Howe's review and approval of Resolution No. 1283, the Commission passed and approved Resolution No. 1283 adopting a SNAP (Sustainable Natural Alternative Power) Program.

9. Wireless Budget Update:

Manager Berrie updated the Board on the 2004 wireless costs, and advised that installation of an additional wireless transmission tower and the hook-up of resulting customers may cause expenditures to exceed the funds budgeted in January 2004 of \$384,000.00 for wireless telecommunications. Expenditures as of 07/31/04 total \$355,941.52 and include \$200,439.80 for accounts payable - direct purchases to wireless; \$127,933.06 for materials issued from inventory; \$24,737.41 for District labor and \$2,771.25 for actual and estimated equipment. Materials on order for inventory to telecom and fiber total \$32,869.40 (\$17,666.06 for items that were paid in 2004 but were reported in the 2003 pilot and \$19,193.89 for inventory overhead and expenses). There will also be some additional costs for August.

The cost of constructing a tower near Jack Ass Butte in Okanogan is estimated to cost approximately \$25,000.00. When all right-of-way issues have been resolved, the staff recommends building the tower to complete the build-out in that area and then issue inventory to support the customers (staff estimates there are enough radios in inventory to connect quite a few more customers).

Commissioner Johnson noted that before additional funds are spent, he would like to see an updated Business Plan for Telecom that includes wireless. He also believes that the telecom customers should be paying for the telecommunications system rather than the electrical ratepayers. Manager Berrie noted that the District is operating under the Business Plan for wireless that was presented a year ago, although he agreed that the Plan needs updated and will be addressed in the very near future. He noted further that, in this particular case, wireless has exceeded the existing Business Plan and the discussion today is largely because of the many customers that have been connected. Commissioner Bunch inquired as to the number of new customers. Derek Miller noted that one service provider has 35 connections in the Okanogan area, and the District's wireless model is attracting more customers than the fiber plan. Commissioner Womack favored getting the tower up and running using the radios in stock before further evaluation of the project.

The Commission unanimously authorized construction of the Okanogan area tower utilizing the present stock of radios, and instructed that any further radio expenditures shall be authorized by the Board prior to order placement.

10. BPA Rates and Budget Discussion:

Power Resource Engineer Larry Felton presented estimates on wholesale power sales, retail sales and power purchase costs in relation to budgeting and projecting power requirements. A number of worksheets were presented detailing the information, although he cautioned when analyzing these charts that the figures were based on estimates of temperatures (load), snow pack and future wholesale market prices.

Mr. Felton went into more detail of his July 13, 2004 presentation to the Board in his "Mid-Year Financial Update". The District's Calendar Year (CY) 2004 power supply costs were originally estimated for budget purposes to be about \$15.5 million, of which 78% is from BPA (57% Slice and 21% Block), Wells Dam 14% and Nine Canyon Wind Farm 8%. This CY 2004 power cost estimate was based on a half to median water year (about 75% of normal Columbia River water flow), as has been the case the last four out of five years. For comparison, those costs would have been at least \$3 million higher if CY 2004 would have been a drought year. For the first six months of CY 2004, the District's actual net power costs came in better than expected by more than a half a million dollars primarily due to higher than expected power prices for surplus power sales.

Mr. Felton then presented his initial spreadsheet of CY 2005 net power supply costs estimated to be \$14.4 million. He anticipates a rate decrease effective October 1, 2004 from BPA that will be somewhat taken away with the Slice True-Up costs. He concluded that CY 2005 loads are projected to be higher, with power supply costs to be roughly the same as CY 2004.

11. Public Comment:

There was no public comment.

12. Meetings:

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., September 7, 2004 at the Okanogan PUD Auditorium.

13. Executive Session - Personnel and Litigation:

President Womack recessed the Commission into executive session at 9:00 p.m. to discuss personnel and litigation.

President Womack reconvened the Commission into regular session at 9:58 p.m. There being no further business to discuss, the meeting adjourned at 9:58 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary