

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Okanogan PUD Auditorium  
September 7, 2004**

**Present:**

Board: David Womack, Darrel Bunch, Donald Johnson

Staff: Chuck Berrie, Don Coppock, Larry Felton, Derek Miller, Joe Miller,  
Mark Pritchard, Dan Boettger, Steve Brown, Julie Pyper

Other: Michael Howe - Legal Counsel

Public: Judy Bunch, Brian Kirchner, Roberta Donnor, Harlan Warner

President Womack called the meeting to order at 8:30 a.m. and added to the agenda the setting of future Commission meetings and a 15 minute executive session with no action anticipated. He also moved items one through four to the end of the agenda. Manager Berrie submitted as an additional agenda item the Nespelem Valley Electric Annual Meeting.

**Summary Agenda**

1. Public Comment
2. Revised 2004 Budget
3. Preliminary 2005 Budget
4. Proposal to Review Telecom Model
5. Self-Supply of Operating Reserves Agreements
6. Meetings
7. Set Future Commission Meetings
8. Public Comment
9. Approval of Minutes
10. Approval of Work Orders
11. Approval of Vouchers
12. Approval of Transfer of Accounts
13. Executive Session

**1. 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.

## **2. Revised 2004 Budget:**

Director of Finance/Auditor Don Coppock presented a budget status report and Resolution No. 1284 revising and supplementing the 2004 budget. With changes occurring during the year affecting revenue and expenses, the 2004 budget now reflects a surplus in the budget of \$901,500 that was revised from a budgeted deficit of \$2,176,500.

Cash receipts were revised upward from \$37,005,000 to \$39,013,000 and include an increase of \$1.9 million in sales of electric energy (from \$34.5 million to \$36.4 million). Although total expenditures were revised downward from \$39,181,500 to \$38,111,500, there was an increase in contractual services due to legal fees and costs associated with the diesel generators being higher than anticipated, an increase in the Methow Valley Transmission Line Project Environmental Impact Statement, an increase in the NoaNet assessment, and an increase in health insurance and pensions (retirements). There was a decrease in taxes, as well as a decrease of \$1,400,000 for purchased power that was attributed to Colville Indian Power and Veneer's decrease in production and a BPA Slice True-Up credit. Decreases were also related to a GIS/mapping project being delayed and AS400 budgeted upgrades that will not occur in 2004.

Commissioner Bunch moved and Commissioner Johnson seconded to adopt Resolution No. 1284. The motion was unanimously carried.

## **3. Preliminary 2005 Budget:**

Don Coppock presented budget recap/projections for 1996 through 2005 and Resolution No. 1285 adopting the 2005 proposed budget. From an operating standpoint, revenues are projected to cover operating expenses by over \$3 million, and the proposed budget does not include a rate increase for 2005. Coppock noted that he is awaiting updated information from BPA on power costs, and the budget is preliminary and will be adjusted prior to its final approval.

Normal operations are up \$500,000 over 2004 in part because of next year's anticipated wage increase and the following new proposed positions: a second power resource engineer, a systems engineer, an environmental technician and a fiber splicer. The budget also includes an operations manager and an unfilled journeyman technician position.

The budget anticipates receipts by the revenue fund during 2005 in the amount of \$39,090,000, of which electric and telecom sales are estimated at \$36,600,000. Expenditures are projected to total \$42,563,000, for a budget variance of \$3,473,000.

Commissioner Bunch moved and Commissioner Johnson seconded to adopt Resolution No. 1285. The motion was unanimously carried.

#### **4. Proposal to Review Telecom Model:**

Manager Berrie presented a proposal to issue a Request for Proposals (RFP) to hire a consultant to review and update the telecommunications business model and strategic plan. Berrie noted that \$50,000 had been budgeted in 2004 for consulting services, and that the purpose of the proposal is to review, update and create a one, three, five and ten-year set of goals and objectives for the District's telecommunications system. Questions must be answered to address the level of services, appropriate risk, growth rate and other factors. Berrie also noted that if the Board is agreeable to the project, the next step would be to develop a more complete scope of work and cost estimate.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize management to pursue hiring a consultant to review and update the telecommunications business model and strategic plan by requesting proposals for the Board's consideration. The motion was unanimously carried.

#### **5. Self-Supply of Operating Reserves Agreements:**

Power Resource Engineer Larry Felton presented the following agreements necessary for the District to self-supply Operating Reserves from its Bonneville Power Administration [BPA] Slice Output for Fiscal Year 2004-05 (October through September): 1) Operating Reserves Aggregation Agreement between Okanogan PUD, Clatskanie PUD, Franklin PUD, Grays Harbor PUD, and Pend Oreille PUD; 2) BPA Agreement No. 04TX-11770 that provides the operating procedures to be used by the Aggregated Group and the Transmission Business Line [TBL]; 3) BPA Agreement No. 04PB-11522 with the Power Business Line [PBL], which accounts for the terms and conditions for the Aggregated Group's self-supply of Operating Reserves from their Slice Output; and 4) a backup Agreement for Third-Party Operating Reserve Services with Seattle City Light [SCL].

The estimated charge for administrative and implementation costs determined by PBL for the Aggregated Group to self-supply Operating Reserves for Contract Year 2005 is \$69,200, which includes a one-time fee of \$50,000. The Aggregated Group will each pay \$10,000 of the one-time fee. The ongoing administrative costs invoiced by PBL and TBL will be allocated on the prorated basis of each participant's estimated reserve requirements (Okanogan PUD's share will be 15%).

The Aggregated Group has appointed Franklin PUD to serve as the designated point of contact for the term of the Agreement, and Franklin PUD has designated Power Resource Managers of Bellevue as the scheduling agent.

The Aggregation Agreement provides for the participants to calculate and set aside an energy reserve in the event that BPA TBL has a need for contingency energy (i.e., if the Columbia Generating Station went down).

Mr. Felton expects that the District will save \$150,000/year by self-supplying operating reserves from excess Slice capacity. Last year's cost for operating reserves was \$204,078 based on 27,111 megawatt hours (\$8.37/MWh charged by TBL and \$7.39/MWh charged by SCL). TBL's rate is expected to increase approximately 15% in October, while SCL has not indicated any rate increase.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize the Manager, for the purpose of the District self-supplying its BPA operating reserves, to enter into an Operating Reserves Aggregation Agreement, BPA Agreement No. 04TX-11770, BPA Agreement No. 04PB-11522, and a back-up Agreement for Third Party Operating Reserves with Seattle City Light. The motion was unanimously carried.

## **6. Meetings:**

Manager Berrie informed the Board that the Nespelem Valley Electric Cooperative has extended an invitation to Commissioners and staff to attend the Co-op's 65th annual meeting on October 1, 2004 at the Nespelem Elementary School. (Mr. Berrie noted that 2005 will be the 60th anniversary for Okanogan PUD).

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., September 21, 2004 at the Okanogan PUD Auditorium.

## **7. Set Future Commission Meetings:**

With the last scheduled meeting being 8:30 a.m., September 21, 2004 at the Okanogan PUD, the Commission set the following dates for Board of Commissioner meetings:

October 5, 2004  
8:30 a.m.  
Omak City Hall - Council Chambers  
(due to unavailability of PUD Auditorium)

October 19, 2004  
8:30 a.m.  
Okanogan PUD

November 2, 2004  
8:30 a.m.  
Okanogan PUD

November 16, 2004  
8:30 a.m.  
Okanogan PUD

November 30, 2004  
6:00 p.m.  
Okanogan PUD

December 14, 2004  
8:30 a.m.  
Okanogan PUD

**8. Public Comment:**

There was no public comment.

**9. Approval of Minutes:**

Commissioner Bunch moved and Commissioner Johnson seconded to approve the Minutes of the August 24, 2004 regular meeting.

Commissioner Johnson, acknowledging that the Manager and Power Resource Engineer had pointed out to him that his previous reference to "net profit" was in error, moved to amend the August 24, 2004 Minutes (Item 10 - BPA Rates and Budget Discussion) to add the following statement:

Commissioner Johnson noted that the spread sheet provided by Mr. Felton indicated that 23% of the total power purchased in 2004 by the PUD may be resold [omit "resulting in a net profit" of] for \$6.5 million. That is 42% of the projected BPA bill and may result in a significant reduction in 2004 power costs.

During discussion, Commissioner Womack noted that he could not find the figures in the spread sheet that Johnson was referencing and he asked that he point them out. Commissioner Johnson responded that you would have to calculate the 42% number from the spread sheet. Power Resource Engineer Felton advised that the spread sheet is a matter of interpretation and that an individual's math may be correct, but the implication may not have meaning.

The motion died for lack of a second.

Commissioner Johnson asked for an explanation of why his statements made in meetings cannot be seconded by the other Commissioners to be included in the Minutes. Commissioner Bunch responded that some figures are taken out of context. Commissioner Womack noted that Commissioner Johnson's calculations may not be wrong, but he does not understand the necessity of having them in the Minutes.

Upon the vote to approve the August 24, 2004 Minutes, Commissioner Johnson voted nay. The motion was carried two to one.

#### 10. Approval of Work Orders:

The following work orders were submitted for approval:

01-0627	Jack Ellis, Twisp-Carlton Rd. (Rev. #1)	\$3,818.00
02-0655	Hank Konrad, Finley Canyon Rd., Twisp (Rev. #1)	5,513.00
04-0212	Snohomish County PUD (mutual aid storm labor)	24,483.02
04-0263	Ted Danielson, 400 Jasmine St., Omak	8,703.00
04-0306	Ashlee Clement, SR 20, Pleasant Valley	1,653.00
04-0337	District, Greenacres Rd.	9,055.00
04-0359	James Behrens, 101 Bill Shaw Rd., Pateros (Rev. #1)	3,526.00
04-0385	Debbie Waters, Miller Rd.	1,817.00
04-0388	Lloyd Remsberg/District, 993 Twisp-Carlton Rd.	1,113.00
04-0390	Barbara Calus, 75 Cougar Canyon Rd., Tonasket	3,850.00
04-0399	Melvin Engelke/District, 240 Megers St., Twisp	1,036.00
04-0417	Keith Walker, Old Hwy. 97	3,853.00
04-0419	Earl Groendyk, Florence St., Pateros	734.00
04-0420	District, Gold Creek Rd.	3,277.00
04-0422	Melvin Schertenleib, Horse Spring Coulee Rd.	4,992.00
04-0423	Aero Methow Rescue Service, 1005 Methow Valley Hwy.	2,635.00
04-0424	A.C. Morgan, Harris Rd., Okanogan	794.00
04-0425	Richard & Bonnie Fuller, 703 Chillowist Rd.	1,524.00
04-0428	Karen Beaudette, 1485 N. Pine Creek Rd.	3,386.00
04-0429	Leilani Goudeau, W. Bannon Creek Rd.	2,876.00
04-0430	District, Crowder Rd., Okanogan	2,498.00
04-0433	District, Rodeo Trail Rd. at Okanogan Substation	52,472.00
04-0434	District/Western Restaurant, Elmway, Okanogan	850.00
04-0435	District, Okanogan Substation	26,931.00
04-0437	Gebbers Farms, Inc., 570 Paradise Hill Rd., Brewster	844.00
04-0439	James Behrens, 101 Bill Shaw Rd., Pateros	1,146.00
04-0440	Blake & Diedra Luvon, Frost Creek Rd., Twisp	3,412.00
04-0441	District, 33 Mundy Rd., Twisp	1,231.00
04-0460	District, Frosty Creek	1,889.00
04-0461	District, Tunk Valley	577.00
	Total	\$180,488.02

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

**11. Approval of Vouchers:**

Vouchers No.'s 83360 through 83395 in the amount of \$234,281.85, No.'s 83396 through 83424 in the amount of \$179,511.43, and No.'s 83425 through 83523 in the amount of \$367,607.82 were approved for payment from the revenue fund.

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

**12. Transfer of Accounts:**

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

**13. Executive Session:**

President Womack recessed the Commission into executive session at 12:10 p.m. to discuss potential litigation

President Womack reconvened the Commission into regular session at 12:35 p.m. There being no further business to discuss, the meeting adjourned at 12:35 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President  
Donald W. Johnson, Secretary