

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Okanogan PUD Auditorium
September 21, 2004**

Present:

Board: David Womack, Darrel Bunch, Donald Johnson
Staff: Chuck Berrie, Don Coppock, Derek Miller, Dan Boettger, Julie Pyper
Other: Michael Howe - Legal Counsel; Rich Trimble - Energy Northwest
Harlan Warner, Steve Taylor, Lou Gates, Roberta Donnor, Doug
Public: Moare, Roger Meader, Terry Knapton, Brian Kirchner, John Hayes,
John Larson

President Womack called the meeting to order at 8:30 a.m. The following items were added to the agenda: Joint Communication Safety Ad Program, WPUDA - BPA Support, and the 2005 Budget Process.

Summary Agenda

1. Public Comment
2. Rich Trimble - Energy Northwest
3. Resolution No. 1286 - Authorizing Forward Power Sales
4. Discussion of 9/14/04 Loup Loup Power Outage
5. Public Comment
6. Meetings
7. Joint Communication Safety Ad Program
8. WPUDA - BPA Support
9. 2005 Budget Process
10. Approval of Minutes
11. Approval of Work Orders
12. Approval of Vouchers
13. Approval of Transfer of Accounts
14. Executive Session - Litigation

1. Public Comment:

Manager Chuck Berrie presented 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.

Brian Kirchner asked if the PUD Manager has the authority to make decisions. His question was in regards to a PUD Commissioner's recent statements in the local newspaper that led others to believe that the former Manager made the decisions pertaining to rate increases, diesel generators, etc. Commissioner Johnson responded that the Manager made the recommendations. Commissioner Womack added that the Board approved the purchase of the diesels per recommendations, and that the Board authorizes the Manager to enter into contracts.

2. Rich Trimble - Energy Northwest:

Rich Trimble updated the Board on activities of Energy Northwest, including the Franklin PUD service area biomass pilot project that harvests methane from the lagoon of dairy waste. The project has the capability of producing 1 KW/2.5 to 3 cows; however, Energy Northwest is currently evaluating whether to continue the project because the results achieved thus far are half of the targeted 1 KW/cow.

Energy Northwest's Member Forum VII is scheduled for October 7-8, 2004 at the Red Lion Hotel in Richland, Washington. The agenda will focus on generating options for the future.

3. Resolution No. 1286 - Authorizing Forward Power Sales:

Manager Berrie presented Resolution No. 1286 authorizing forward power sales. The Board previously approved the District joining the Western Systems Power Pool with the intention of the District entering into sales and purchases for future delivery with other counter parties. Resolution No. 1286 authorizes the Manager to sign agreements to sell surplus power or purchase power to meet the District's requirements. These individual transactions will have the following Board of Commissioner's approved limits: 1) transactions can be up to 18 months out in the future; and 2) each sale or purchase agreement will be limited to a quantity of 25 MW and up to three months in duration. The Resolution also provides that the Manager will inform the Board periodically about the terms and conditions of these sales/purchases and their impact on the District's power supply costs.

Commissioner Johnson moved and Commissioner Bunch seconded to adopt Resolution No. 1286. The motion unanimously carried.

4. Discussion of 9/14/04 Loup Loup Power Outage:

Chief Engineer Derek Miller reviewed maps and information involving the five-hour power outage that occurred September 14th on the Loup Loup transmission line 22 miles from Okanogan. A property owner operating an excavator knocked a tree onto a transmission pole that left the entire valley from Mazama to Gold Creek without power from 9:30 a.m. to 2:50 p.m. The situation was only made easier by the fact that the incident occurred during the day and the site was easily accessible and involved a single-pole structure. Manager Berrie noted that the outage is an example of an event that could still occur even if the Loup Loup transmission line is rebuilt, as there would still be a single line from Twisp to Winthrop.

Miller also noted there will be an upcoming four-hour fall maintenance outage from 1 a.m. to 5 a.m. on a date to be determined. This outage will be advertised to the public.

5. Public Comment:

Terry Knapton of Economic Alliance noted that the outage points to the vulnerability of not having a redundant line in the Methow. He stressed the importance of bringing power, fiber-optics, etc. into the community, as the high tech companies came to a standstill during the outage.

Doug Moare, a Winthrop business owner and Chamber of Commerce President, supports a redundant transmission line into the Methow Valley. He addressed the financial impact of the outage on the town of Winthrop -- every restaurant had to shut down and wages were lost. Mr. Moare asked how businesses could submit their economic losses. (Manager Berrie advised that if individuals want their comments addressed as part of the Environmental Impact Statement evaluation process on what route the Board chooses, then specific comments should be submitted to the PUD.) (Attorney Howe said he is not aware of any facts that point to the PUD being at fault, and a claim must prove who caused the problem and their negligence.)

John Larson of HomeMovie.com reported he had 6,000 customers that were without server access during the outage. He stressed that power is a key component to bringing more companies into the valley, and he risks losing business to another company that has redundancy.

As a Methow Land Use Planner, John Hayes said he understands the issues of growth and that companies that have located in the area are environmentally sensitive; however, redundancy of power is necessary for the community's future. Mr. Hayes inquired as to which of the transmission line alternatives offer redundancy. (Derek Miller responded that the Valley Floor option and the Pateros/Twisp route would provide redundancy.)

As a supporter of the Pateros-Twisp route, Brian Kirchner expressed his sympathy for the loss the Methow Valley suffered from the outage.

Dr. Lou Gates, Superintendent of the Methow Valley School District, discussed the impact of vacating 1,000 students from three different schools during the outage. In addition to dealing with meal, transportation and housing issues during an outage, he noted that the emergency backup generators do not run the air conditioning and heating system. He supports finding a redundancy solution to protect the school district's infrastructure.

Roger Meader, General Manager of the Okanogan County Electric Cooperative, reported that the direct impact to the Co-op businesses approached \$100,000 and the indirect impact could be doubled. He said that 93 percent of the Co-op members' outage time in 2004 has been due to the PUD's transmission line being out. He noted that the entire nine-member Co-op Board continues to support the Pateros to Twisp route due to reliability and it being the least costly alternative.

6. Meetings:

Commissioner Johnson presented a report on items of interest from the Washington PUD Association meetings he attended in Kennewick on September 16-17, 2004.

Commissioners Womack and Johnson along with staff, Julie Pyper, Steve Brown and Debra Peters, attended a Parliamentary Procedure seminar at the Omak City Hall on September 15, 2004. The Board discussed some of the items introduced by the speaker for assuring a productive meeting: 1) use informational cover sheets with an agenda; 2) have sign-in sheets so the presiding chair knows the name of the speaker and the item to be addressed; 3) adopt a form of parliamentary rules (the District has adopted rules and procedures for meetings under Resolution No. 1266); 4) set a time limit for debate and enforce it (seminar speaker recommended three minutes); 6) use a consent agenda; and 7) allow discussion only after a motion is on the floor. Following further discussion regarding public comment periods, the Board agreed to leave the comment periods as established. The Board will address questions relative to a specific agenda item; however, discussion/questions will conclude once a motion is on the floor. In addition, the Commissioners agreed that the Manager's Report should be a separate agenda item, and they requested to be informed at the front of the agenda of any action items.

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., October 5, 2004 at the Omak City Hall Council Chambers, 2 North Ash Street, Omak.

7. Joint Communication Safety Ad Program:

Manager Berrie presented draft Safety Ads for October, November and December pertaining to the joint community advertising campaign of the four mid-Columbia public utility districts (Grant, Chelan, Douglas and Okanogan). The Board had previously approved the concept and script of the advertising campaign, but reserved final approval pending additional information on the cost per radio spot. It has been determined that Okanogan PUD's cost for three radio spots over a twelve-day period the first two weeks of each month is \$1,560. The individual broadcasting costs are: KOZI \$250 to be shared with Chelan, KOMW \$810, and KVLK \$500. Coulee Dam's KEYG rate was three times the highest quote received; however, the utility may be able to join in advertising with Grant PUD, who has an annual contract with KEYG.

Commissioner Bunch moved and Commissioner Johnson seconded to participate up to \$2,000 in the joint community outreach (advertising) campaign of the four mid-Columbia public utility districts (Grant, Chelan, Douglas and Okanogan) for a three-month period beginning October 2004. The motion unanimously carried.

8. WPUDA - BPA Support:

Manager Berrie received a request from Steve Johnson of the Washington PUD Association on behalf of the American Public Power Association for pledges to support a dinner event on December 9th where the Bonneville Power Administration will receive the Star of Energy Efficiency Award from the Alliance to Save Energy. The APPA is a member of the Alliance and would like to co-chair sponsorship of the dinner to show support for and offer congratulations to BPA as a collective effort of APPA, WPUDA and its members. APPA's President, Alan Richardson, is seeking to raise \$4,000 in addition to APPA's \$1,000 contribution. Those pledging funds to support BPA and its accomplishments in the area of energy efficiency include to date the WPUDA \$500, Ferry County PUD up to \$100, Douglas County PUD up to \$500 and Klickitat County PUD \$95.

Commissioner Bunch moved and Commissioner Johnson seconded to contribute up to \$100 if needed to support APPA's endeavor to co-chair sponsorship of a dinner on December 9, 2004 to recognize BPA with the Star of Energy Efficiency Award from the Alliance to Save Energy. The motion unanimously carried.

9. 2005 Budget Process:

Don Coppock presented a calendar of dates establishing the 2005 budget process. The financial forecast will be presented to the Board on October 5, 2004, followed by a hearing on October 19, 2004 to adopt the final budget. The budget hearing can be continued to future meetings until the final budget is ready for approval; however, the final budget for 2005 must be approved prior to December 31, 2004.

Coppock also presented 2005 preliminary budget figures separating electric and telecom, as well as a budget recap and projection sheet for 2004 comparison purposes.

10. Approval of Minutes:

Commissioner Bunch moved and Commissioner Johnson seconded to approve the Minutes of the September 7, 2004 regular meeting.

Commissioner Johnson moved to correct the September 7, 2004 Minutes (Item 3 - Preliminary 2005 Budget) as follows:

Don Coppock presented budget recap/projections for 1996 through 2005 and Resolution No. 1285 adopting the 2005 proposed budget. From an operating standpoint, *[insert expenses and omit revenues]* are projected to *[insert exceed and omit cover]* *[insert revenues and omit operating expenses]* by over \$3 million, *[insert but and omit 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.

Director of Finance/Auditor Coppock pointed out that Commissioner Johnson's proposed changes would not be accurate unless he deleted: "from an operating standpoint." Commissioner Johnson amended his motion as follows:

... From an operating standpoint, revenues are projected to cover operating expenses by over \$3 million, but total expenditures are expected to exceed revenues by approximately \$3.5 million. The proposed budget does not include a rate increase for 2005.

There was no second to the motion.

Commissioner Johnson moved to amend the September 7, 2004 Minutes (Item 3 - Preliminary 2005 Budget) to insert:

The summary of the proposed 2005 budget and Budget Recap and Projections presented did not separate the electric and telecom budgets. Projected deficits in 2004 were \$1.5 million for electric and \$1.1 million for telecom. Itemized costs for the telecommunications system in the 2005 budget total \$1,497,800; unlisted expenses include about \$400,000 in debt service (interest) and the total will exceed \$600,000. Projected telecom revenue for 2004 is \$352,903. This suggests that with the proposed 2005 budget electric rate payers will have invested about \$9.5 million in the telecom system by the end of 2005; this is \$1 million more than projected in the business plan one year ago. Revenues are not expected to cover debt service in 2005. All telecom expenses are being paid by electricity customers. The present business plan (9/29/03) projects debt increasing until 2012 when revenues are projected to

exceed expenses.

There was no second to the motion.

Commissioner Johnson moved to amend the September 7, 2004 Minutes (Item 9 - Approval of Minutes) to omit "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" and insert:

Johnson characterized this information as good news of interest to customers and asked the other commissioners why they couldn't second his motion to include this in the minutes? Johnson pointed out that the percentages were derived from surplus power (\$185,569 MWh) divided by the sum of all purchases (798,345 MWh) and net market sales/purchases (+\$6,454,920) divided by total BPA power costs (\$15,304,071) and that use of those percentages would be understood by interested ratepayers.

There was no second to the motion.

Upon the vote to accept the Minutes as submitted, Commissioner Johnson voted nay and the motion carried.

11. Approval of Work Orders:

There were no work orders submitted for approval.

12. Approval of Vouchers:

Voucher No. 83524 in the amount of \$85,873.87, No.'s 83525 through 83607 in the amount of \$367,030.62, and No.'s 83608 through 83610 in the amount of \$111,497.03 were approved for payment from the revenue fund.

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

13. Transfer of Accounts:

The following accounts/invoices were submitted for write-off/collection due to nonpayment:

Anderson, Minot	\$100.51
Armstrong, Diana	\$336.49
Baker, Kevin & Paul, Christine	\$547.24
Barajas, Christine E.	\$305.70
Belgarde, Lenny S.	\$328.79
Bock, Julie	\$82.36

Carden, Darla	\$256.39
Caru, Michelle	\$263.33
Clark, Kim M.	\$190.14
Cole, Barbie	\$102.56
Crane, Mike W.	\$280.77
Davidson, Alvis	\$173.04
Descoteaux, Raymond A.	\$20.57
Diller, Robert Jr.	\$253.10
Harrison, Sharon	\$50.66
Knowles, David E.	\$492.83
Lilly, Melvin	\$480.00
Louie, Linda D.	\$141.69
Morgan, Tony & Bowling, Holly	\$57.49
Reed, Carolyn & Donald J.	\$291.96
Reed, Carolyn & Donald J.	\$59.56
Rice, Mary & Cool, Dean	\$242.56
Salvation Springs LLC	\$171.08
Salvation Springs LLC	\$207.64
Senger, John & Melissa	\$304.09
Squetimkin, Annette L.	\$186.46
Stanger, Stacey	\$309.29
Stout, Greg	\$188.89
Strode, Justin R. & Tamara	\$13.65
Tavitas, Anna M. & Robert	\$232.59
Vallee, Joella & Mike	\$94.03
Volmar, Faith & Howard	\$112.23
Witty, Tami & Paul	\$209.37
Zavala, Marcia	\$485.64
Total	\$7,572.70

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

Don Coppock noted the Credit Bureau's concern with the PUD not removing information on a debtor from the Minutes on the website after the credit matter has been resolved. Attorney Howe advised that the Open Public Meetings Act makes the issue a public matter, and the write-off of public funds is a matter that must come before the Commission. Commissioner Womack suggested that the Auditor could come back to the Board with a list of those who have paid off their debt.

Coppock also noted that the District is allowed by statute to charge as a collection fee 50% of an account balance that is written off and submitted for collection due to nonpayment. This practice is presently not done; however, the Commissioners favored pursuing the additional collection fee.

Commissioner Johnson moved and Commissioner Bunch seconded to direct the Manager to establish a procedure to collect payment for all accounts (by charging as a collection fee 50% of an account balance that is written off and submitted for collection due to nonpayment). The motion unanimously carried.

14. Executive Session:

President Womack recessed the Commission into executive session at 12:14 p.m. to discuss litigation.

President Womack reconvened the Commission into regular session at 12:54 p.m. There being no further business to discuss, the meeting adjourned at 12:54 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary