

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Okanogan PUD Auditorium
October 19, 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, Brian Kirchner, Roberta Donnor, Ann McCreary, Ernie Bolz, Bill Swayze, Jason Dodgen

President Womack called the meeting to order at 8:30 a.m. Manager Berrie deleted the Twisp Telecommunications discussion and added the following agenda items 1) Salmon Creek Comment, 2) Diesel Generators, and 3) Executive Session for litigation purposes.

Summary Agenda

1. Public Comment
2. 2005 Budget Hearing
3. Nine Canyon Phase I Bond Refinancing
4. Manager's Report
5. Diesel Generators
6. Salmon Creek Comment
7. Public Comment
8. Meetings
9. Approval of Minutes
10. Approval of Work Orders
11. Approval of Vouchers
12. Approval of Transfer of Accounts
13. Executive Session - Litigation

1. Public Comment:

There was no public comment.

2. 2005 Budget Hearing:

The 2005 budget hearing was continued to the November 2, 2004 meeting as no comments or questions were received.

3. Nine Canyon Phase I Bond Refinancing:

In regards to the District's purchase of output of Phase I of the Nine Canyon Wind Project financed by Energy Northwest pursuant to the Nine Canyon Wind Project Power Purchase Agreement, Larry Felton presented Resolution No. 1287 authorizing Energy Northwest to refund a portion of the Energy Northwest Project Revenue Bonds, Series 2001.

Energy Northwest issued its Wind Project Revenue Bonds, Series 2001 in the aggregate principal amount of \$70,675,000 to pay costs of Phase I of the Project. If interest rates remain low, Energy Northwest may refund a portion of the bonds to reduce the debt service payments. Resolution No. 1287 grants Energy Northwest, upon approval from the Nine Canyon Wind Project's Purchasers Committee, the authority to issue bonds to refund the bonds maturing on and after July 1, 2008 if the issuance of such refunding bonds results in not less than \$4,000,000 in debt service savings. This authorization would expire on January 1, 2007.

Commissioner Johnson moved and Commissioner Bunch seconded to adopt Resolution No. 1287. The motion unanimously carried.

4. Manager's Report:

Chuck Berrie presented the following Manager's report:

A public hearing on the District's application for a Conditional Use Permit for the Ophir diesel site is scheduled for 7:30 p.m., November 16, 2004 at the County Commissioners hearing room.

The District is involved in discussions with the Department of Revenue relating to the collection of retail sales tax on wholesale communication services.

Fred Burke is representing the utility at a State Auditor's meeting in Seattle today regarding the development of wholesale telecommunications standards for public utility districts.

The Jackass Butte wireless transmission tower is now operational.

Steve Brown informed the Board that one contributor and one producer are participating in the Sustainable Natural Alternative Power Program. Advertising is underway on the SNAP program with upcoming radio/newspaper spots and billboards in Oroville, Omak and Pateros. The program will also be featured in the District's November newsletter.

A letter was received from Web Hallauer of Oroville praising the District for publishing the Watt's Up newsletter.

A chart from an electric industry newsletter was presented, which summarized peak demand and available resources. California had a significant increase in demand for electricity this past summer, with San Diego experiencing an all time peak of 4,000 megawatts.

The draft Environmental Impact Statement for the Methow Valley Transmission Line Project will be available in January 2005.

A four-hour power outage for maintenance of the Loup Loup transmission line is scheduled for October 22, 2004.

State Auditors are onsite to conduct the District's 2003 audit.

5. Diesel Generators:

Manager Berrie reported that the District is negotiating an agreement with Cummins Northwest, Inc. to perform de-mothballing of the diesel generators prior to the testing period. The projected cost for de-mothballing the generators is \$30,000 - \$40,000, including new batteries and block heaters.

Commissioners Womack and Bunch deferred action on entering into an agreement with Cummins Northwest, Inc. until such time that a contractual agreement for de-mothballing the diesel generators is available for review. Commissioner Johnson abstained from any involvement in reaching a remedy with regards to the diesel generators because he doesn't support the diesels and voted against the settlement.

6. Salmon Creek Comment:

Manager Berrie presented a draft letter outlining the District's position with regard to the BPA Salmon Creek Project Draft Environmental Impact Statement. The letter expresses the District's concern with the financial assumptions in the Salmon Creek proposal and the cost of service associated with the project. The comment period originally scheduled to end October 19, 2004 has been extended to November 9, 2004.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize staff to submit to Bonneville Power Administration the District's comment letter as presented regarding the Salmon Creek Project Draft Environmental Impact Statement. The letter will also be copied to other public commenting agencies.

7. Public Comment:

Bill Swayze of Community Net inquired about the District's 2005 Telecom budget as his company now has 175 wireless customers. He related a

customer's satisfaction with obtaining phone service via the Internet after connecting to the Shellrock access point. (The customer is eight miles from the tower signal and four miles from electrical power.)

8. Meetings:

Commissioner Johnson presented proceedings of interest from the Energy Northwest Member Forum VII that the Commissioners and Manager attended in Richland on October 7-8, 2004. Forum presentations included a Centralized Technology Services Workshop, Business Development Activities, Northwest Power Supply Outlook, Natural Gas Futures, Clean Coal Technology and Climate Considerations.

Commissioner Johnson presented proceedings of interest from the Washington PUD Association Salmon Strategy Workshop, Board of Directors meeting and Legislative Committee meeting that he attended in Everett on October 14-15, 2004. Commissioner Womack also presented information from the WPUDA Budget Committee meeting, Salmon workshop and Board of Directors meeting that he attended in Everett on October 13-15, 2004.

WPUDA members were encouraged to urge BPA to delay its November 4th bylaws vote of Grid West, the proposed Northwest Regional Transmission Organization. Manager Berrie's letter on behalf of Okanogan PUD will also include support of the more cost-effective alternative to Grid West proposed by the Transmission Issues Group, an existing organization composed of Northwest utilities.

At the WPUDA Legislative Committee meeting, it was requested of members that a summary of PUD accomplishments since 2000 and plans for efficiency and renewables be sent to Dave Warren, WPUDA Government Relations Director.

Commissioner Womack will be attending a Public Utility Risk Management Services meeting in Seattle on November 18, 2004.

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., November 2, 2004 at the Okanogan PUD Auditorium.

9. Approval of Minutes:

Commissioner Bunch moved and Commissioner Johnson seconded to approve the Minutes of the October 5, 2004 regular meeting.

Commissioner Johnson moved to amend the October 5, 2004 Minutes (Item 1 - Public Comment) by inserting the following at the end of Maeyowa's comment: *She questioned the reported \$100,000 loss to Winthrop businesses associated with the*

September 14, 2004 power outage, as well as the five hours required to repair the easily accessible transmission line.

There was no second to the motion.

Commissioner Johnson moved to amend the October 5, 2004 Minutes (Item 1 - Public Comment) by inserting the following:

Among those comments were statements by Commissioners Womack and Bunch that Johnson had supported the purchase of diesel generators and Bunch went on to say Johnson had voted to incur "all PUD debt since 2001 and every rate increase since his occupancy of office." The presentation refuted those claims with several examples from PUD meeting minutes and news reports.

There was no second to the motion.

Commissioner Johnson moved to amend the October 5, 2004 Minutes (Item 1 - Public Comment) by inserting the following at the end of David Sexton's comment:

He explained that he could not sell service (thereby generate revenue for the PUD telecom program) if he could not supply a prompt and predictable hookup. His service order of May 8 still has no date certain for hookup.

There was no second to the motion.

Commissioner Johnson moved to amend the October 5, 2004 Minutes (Item 3 - Power Sales Report) by inserting the following:

...These sales reduce the cost of power to the PUD.

The Board requested a report at a future meeting on retail/commercial trends over the last five years *[and the average PUD cost of power from all sources]*.

During discussion, it was pointed out that the average cost of power for each resource had previously been presented to the Commissioners in the 2005 Estimated Power Costs spreadsheet.

There was no second to the motion.

Commissioner Johnson moved to amend the October 5, 2004 Minutes (Item 4 - Financial Forecast) by inserting the following:

It was noted that Telecom will require before year end a \$1 million transfer from the electric side, and by the end of 2005 the investment in Telecom will reach \$9 million. [Revenue is now projected to cover telecom operating expenses in 2009 when \$12 million of electric rate revenue is projected to have been invested in the project].

There was no second to the motion.

Commissioner Johnson moved to amend the September 21, 2004 Minutes (Item 5 - Public Comment) by inserting the following:

Dr. Lou Gates, Superintendent of the Methow Valley School District, [thanked the staff for inviting them and] discussed the impact of vacating 1,000 students from three different schools during the outage. Commissioner Womack seconded the motion for discussion purposes. Following discussion, Commissioner Johnson amended his motion to [incorporate Womack's concern and] state that Dr. Lou Gates [offered thanks for inviting them and...].

There was no second to the motion.

Commissioner Johnson moved to amend the September 21, 2004 Minutes (Item 6 - Meetings [parliamentary procedure seminar report discussion]) by inserting the following:

[Commissioner Johnson noted that some of these rules regarding public comment had not been enforced during today's power line discussion. Commissioner Bunch responded that today the Commissioners had wanted to hear everything the public wanted to say.]

Commissioner Womack seconded the motion for discussion purposes. Following discussion, Commissioner Johnson [in consideration of Womack's comments] amended his motion to strike [*rules*] and insert [*requests*].

There was no second to the motion.

Upon the vote to approve the Minutes as submitted, Commissioner Johnson voted nay. The motion carried two to one.

10. Approval of Work Orders:

No work orders were submitted.

11. Approval of Vouchers:

Vouchers No.'s 83864 through 83944 in the amount of \$360,719.70, No.'s 83945 through 83972 in the amount of \$179,566.92, and No.'s 83973 through 84076 in the amount of \$575,226.58 were approved for payment from the revenue fund.

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

12. Transfer of Accounts:

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

Appel, Julie A.	\$122.08
Atkins, Sharon R. & R. Paul	60.17
Bales, Susan	204.41
Best, Virginia	253.72
Crawford, Patrick	562.49
Currey, Dennis	407.24
DeLima, Dana	275.57
Dale-Koopman, Jennifer Robin	64.25
Downing, Delores	259.92
Frank, Serena A.	17.57
Fry, Shanteal	367.32
Grooms, Crystal	129.57

Humphrey, Murl	13.26
Johnson, Bonnie	61.27
LaDucer, Joanne C.	208.72
Lange, Holly & Joseph	200.78
Laughery, Ashlan	27.65
Martin, Brian Davis	32.35
May, Gilbert A.	52.81
Moore, Shannon	121.03
Nunez-Guzman, Rafael	108.95
Omer, John	64.93
Peak, Rick	77.65
Priest, Sandra	394.53
Raschka, Sharon H.	191.44
Remy, Lisa	107.52
Sherrill, Bruce & Jan	250.32
Simek, Marian Jean	78.48
Soberanis, Norma	22.18
Sorenson, Annetta & James	36.09
Stiles, Joann A.	41.46
Weaver, Toby	161.15
Weeks, Catherine D.	151.94
TOTAL	\$5,128.82

In a letter to the Board of Commissioners, Customer Service Supervisor Kathy Gordon requested that the outstanding balance of \$1,349.48 on closed account #3553-5 in the name of North Country Pub (Tom E. Griffiths and Steve McCracken) be submitted for transfer to the active residential account #46549-6 of Tom E. Griffiths.

Commissioner Bunch moved and Commissioner Johnson seconded to approve the account transfers, including the transfer of the outstanding balance of \$1,349.48 on closed account #3553-5 in the name of North Country Pub (Tom E. Griffiths and Steve McCracken) to the active residential account of #46549-6 of Tom E. Griffiths. The motion unanimously carried.

13. Executive Session - Litigation:

President Womack recessed the Commission into executive session at 10:25 a.m.

President Womack reconvened the Commission into regular session at 11:05 a.m.

Following discussion, it was determined that Commissioner Bunch would send a letter to Energy Northwest requesting a review of Energy Northwest's participation in BPA's Debt Optimization Program.

Commissioner Johnson moved and Commissioner Womack seconded to support Commissioner Bunch's letter in concept to Energy Northwest requesting a review of Energy Northwest's participation in BPA's Debt Optimization Program. The motion unanimously carried.

There being no further business to discuss, the meeting adjourned at 11:10 a.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary