

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Okanogan PUD Auditorium**

**November 2, 2004
8:30 a.m.**

Present:

Board: David Womack, Darrel Bunch, Donald Johnson
Staff: Chuck Berrie, Doug Adams, Larry Felton, Joe Miller, Steve Brown,
Julie Pyper
Other: Douglas PUD: Bill Dobbins, Jim Davis, Chuck Wagers, Meaghan
Vibbert
Public: Ernie Bolz, Harlan Warner, Vicky Welch, Brian Kirchner, Roberta
Donnor, Susie Ives

President Womack called the meeting to order at 8:30 a.m. Manager Berrie added to the agenda a report on Power Supply Agreements. The Power Supply Report will be a regular agenda item in the future.

Manager Berrie introduced Doug Adams, who commenced employment with the District on October 25, 2004 as Manager of Operations.

Summary Agenda

1. Public Comment
2. 2005 Budget Hearing
3. Twisp Telecommunications
4. Cummins Northwest, Inc. Services Agreement
5. November 30, 2004 Board Meeting - Time Change
6. Manager's Report
7. Power Supply Agreements
8. Public Comment
9. Meetings
10. Approval of Minutes
11. Approval of Work Orders
12. Approval of Vouchers
13. Approval of Transfer of Accounts
14. Wells Contract Discussion
15. Executive Session - Litigation

1. Public Comment:

There was no public comment.

2. 2005 Budget Hearing:

The public hearing continued on the proposed 2005 budget. Since no public comments or questions were received, the 2005 budget hearing was continued to the November 16, 2004 meeting

3. Twisp Telecommunications:

Telecommunications Manager Joe Miller requested authorization to enter into an agreement with CenturyTel for bandwidth services to connect the Twisp PUD office to the District's network. The technology that presently connects the Twisp office to the AS400 in Okanogan is outdated.

Miller has negotiated a three-year bandwidth contract with CenturyTel at \$650/month for Ethernet transport, which includes a \$1,300 early termination fee and \$2,500 nonrecurring charge. The bandwidth will allow the District to also connect fiber to the Twisp substation. In addition, staff expects the availability of excess bandwidth and the potential to make bandwidth available to the town of Twisp. Without PUD fiber in the Methow Valley this expense is necessary, in addition to the \$8 million expense (borrowing from the electric system) for the PUD fiber project, to tie the Twisp office and substation to the rest of the system. This will provide for updated computer customer service and improve control of power with reduced outage times.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize the Manager to enter into the necessary contracts to supply CenturyTel fiber to the Twisp PUD office and substation (\$650/month which includes a \$1,300 early termination fee and \$2,500 nonrecurring charge), and to utilize excess fiber in an expeditious way. The motion unanimously passed.

4. Cummins Northwest, Inc. Services Agreement:

Operations Manager Doug Adams requested authorization for the General Manager to enter into a Professional Services Agreement with Cummins Northwest, Inc. for the demothballing (removal) of the District's 16 diesel-powered generators from long-term storage and the installation of 32 new block heater kits (two per unit). The total cost for the services is \$34,626.00 excluding sales tax (\$1,764.18 per unit for CNI to perform the start-up process per unit and \$400.00 per unit for the installation of new block heater kits). It is intended that the diesel generators sets will be out of mothballing by January 1, 2005.

Commissioner Bunch moved and Commissioner Womack seconded to enter into a contract with Cummins Northwest, Inc. in the amount of \$34,626.00 excluding sales tax for demothballing (removal) of the 16 diesel-powered generator sets from long-term storage and the installation of 32 new block

heater kits (\$1,764.18 per unit to perform the start-up process and \$400.00 per unit for new block heater kits). Commissioner Johnson abstained from voting on the motion because he voted against the purchase, funding and settlement and does not want another \$1 million spent in 2005 for the diesels. President Womack noted that District Resolution provides that each Commission member present must vote on all questions put to the Commission, except as to matters with respect to which such Commissioner has a personal financial interest or other conflict of interest, which by State statute precludes the Commissioner from voting. Commissioner Johnson changed his vote to no. The motion carried two to one.

5. November 30, 2004 Board Meeting - Time Change:

Manager Berrie informed the Board that the Commission meeting scheduled for November 30, 2004 at 6:00 p.m. conflicts with travel arrangements to the Washington PUD Association annual meeting in Seattle. He suggested that the November 30th meeting be changed to 8:30 a.m. so that the Commissioners can attend, in conjunction with the annual meeting, a Central Washington Public Utilities training session on the Union negotiation process. The CWPU meeting is scheduled in Seattle at 8:30 a.m. on December 1, 2004.

Commissioner Johnson moved to change the November 30, 2004 Board of Commissioners meeting to 8:30 a.m. at Okanogan PUD and to change the December 14, 2004 meeting to an evening meeting. Commissioner Bunch seconded the motion with reservation. During discussion, it was noted that December 14, 2004 will be Commissioner Bunch's last term meeting. Commissioner Johnson noted that he made the motion as he did because meetings in other communities have not been scheduled for some time. Upon the vote, Commissioners Womack and Bunch voted no. The motion failed two to one.

Commissioner Womack moved and Commissioner Bunch seconded to change the November 30, 2004 meeting to 8:30 a.m. at a location to be determined. Upon the vote, Commissioner Johnson voted no. The motion carried two to one.

6. Manager's Report:

The following Manager's Report was presented:

Staff recently met with a representative of the Okanogan County Planning Department to tour Enloe Dam and the proposed trail system between Oroville and Nighthawk. The County is proposing to build a trail using the old railroad bridge across the Similkameen River, which the PUD owns, plus a right-of-way across the other parcels along the way to Nighthawk. The District does not intend to block the project, but will continue to be involved in liability issues, Enloe access and security, and concerns of adjoining property owners. Due to

vandalism that has taken place at the dam site, staff intends to utilize video cameras connected via the wireless telecommunications system to provide remote monitoring. In future forecast planning, the District will consider the potential increase in electrical demand in the Oroville area due to the economic impact from the proposed trail and the Legends Resort.

The Public Power Council has notified its members of BPA's proposal to reduce costs by eliminating some of the Conservation and Renewable Discount program measures. PPC does not support BPA's change in direction with the conservation programs.

NoaNet has proposed to offer certain business services to its members, i.e. unified contracts. The District intends to decline NoaNet's services because of the success the utility has had in managing its own network.

Doug Adams informed the Board that a Request for Proposal to assess the Telecom Program has been released. Information may be available at the November 30th meeting.

7. Power Supply Agreements:

Power Resource Engineer Larry Felton presented the following report:

Rich Trimble of Energy Northwest has requested authorization from the Nine Canyon Wind Project purchasers to enter into negotiations on behalf of the purchasers group for the sale of green tags associated with the Nine Canyon Wind Project. The proposed agreement is for a ten-year term at \$3-5/MWH. Felton recommended to the Board that the District pursue the sale with the intention of selling half of Okanogan PUD's Nine Canyon power green tags (approximately 2.5 average MWs or 12.5% of the Project). The Board authorized staff to pursue the sale of green tags from the Nine Canyon Wind Project, but felt it was more prudent to commit to a five-year period. The sale of those green tags would generate about \$50-75,000 and lower the net cost of wind power by 10%. Costs of power by source (BPA, Wells, Nine Canyon wind, and Tribal biomass) will be presented prior to the November 16 meeting.

Felton presented Amendment No. 1 to the BPA Rate Mitigation Product Implementation Agreement for modification of Section X, Negotiated Seasonal Meter Read Method. The amendment allows the District to read its below 75 horsepower irrigation meters one time at the end of each irrigation season instead of twice (beginning and end of the season).

Commissioner Johnson moved and Commissioner Bunch seconded to authorize the Manager to sign Amendment No. 1 to the BPA Rate Mitigation Product Implementation Agreement. The motion unanimously carried.

In regards to the District's self-supply of operating reserves from its BPA Slice Output for Fiscal Year 2004-05, Felton presented an Operating Reserves Professional Services Agreement with Power Resource Managers. The Agreement completes the Operating Reserves Aggregation Agreement between Okanogan PUD, Clatskanie PUD, Franklin PUD, Grays Harbor PUD, and Pend Oreille PUD to appoint Franklin PUD to serve as the designated point of contact for the term of the Agreement and Franklin PUD's designation of Power Resource Managers as the scheduling agent.

Commissioner Johnson moved and Commissioner Bunch seconded to enter into an Operating Reserves Professional Services Agreement with Power Resource Managers. The motion unanimously carried.

Felton presented a Netting Agreement as Exhibit A to the Western Systems Power Pool Agreement. The District recently joined the WSPP for the purpose of entering into more specific transactions as needed for the exchange, sale or purchase of power and energy or other services with other parties to the WSPP Agreement. Netting provides that amounts owing with respect to each party will be aggregated and the party owing the greater aggregate amount will pay to the other party the difference between the amounts owed.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize the Manager to execute a Netting Agreement as Exhibit A to the Western Systems Power Pool Agreement. The motion unanimously carried.

8. 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 noted his support of Enloe Dam as an alternative energy source.

Vicky Welch asked questions regarding the budget and requested a copy of the 2005 proposed budget and financial forecast.

9. Meetings:

Commissioner Bunch reported that in response to his letter requesting a review of Energy Northwest's participation in BPA's Debt Optimization program, a

meeting between the ENW Executive Board and BPA has been tentatively scheduled for December 8th or 9th.

The next Okanogan PUD Board meeting is scheduled for 8:30 a.m., November 16, 2004 at the Okanogan PUD Auditorium.

10. Approval of Minutes:

Commissioner Johnson moved and Commissioner Bunch seconded to approve the Minutes of the October 19, 2004 regular meeting.

Commissioner Johnson moved and Commissioner Womack seconded to amend the October 19, 2004 Minutes (Item 4 - Manager's Report) as follows:

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 [add on a few days in August and September and delete this past summer], with San Diego experiencing an all time peak of 4,000 megawatts. [insert This could be interpreted as a warning of another possible Western U.S. power "crisis" or as a future opportunity to reduce Northwest power costs through increased demand and revenues for our surplus power.]

Upon the vote, Commissioner Bunch voted no. The motion carried two to one.

Commissioner Johnson moved to amend the October 19, 2004 Minutes (Item 5 - Diesel Generators) as follows:

...[delete 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.

insert: Commissioner Johnson noted that since he had voted against the purchase, funding and settlement on the diesels, he may abstain from voting on this contract, leaving the decision to the majority who voted for the previous decisions.]

[add: A summary of diesel-generator related costs was presented by the Manager to counter a reported total of \$16 million. The list totaled \$13.8 million, but did not include debt service nor fuel costs which would bring the total to more than \$16 million.]

Commissioner Womack said he felt the motion was inaccurate because it referenced "leaving the decision to the majority who voted for the previous decisions", and he was not a Commissioner at the time the diesel generators were purchased. In addition, Womack pointed out sections of the Minutes where Johnson had voted to purchase or lease seven diesel generators and voted to authorize the borrowing of funds and to refinance. Johnson said he agreed with Womack regarding the "majority" statement. Johnson also said he voted against the purchase of diesel generators and voted for refinancing to avoid a rate increase. Commissioner Johnson amended his motion to strike "leaving the decision to the majority who voted for the previous decisions."

Upon the vote, Commissioners Womack and Bunch voted no. The motion failed two to one.

Commissioner Johnson moved and Commissioner Womack seconded to amend the October 19, 2004 Minutes (Item 8 - Meetings) as follows:

Commissioner Johnson [~~delete presented, add submitted~~] proceedings of interest from the Energy Northwest Forum VII....

Commissioner Johnson [~~delete presented, add submitted~~] proceedings of interest from the Washington PUD Association Salmon Strategy Workshop....

Upon the vote, Commissioner Bunch voted no. The motion carried two to one.

Commissioner Johnson moved to amend the October 5, 2004 Minutes (Item 9 - Approval of Minutes [Item 3 - Power Sales Report]) as follows:

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 [~~delete second to, add vote on~~] the motion.

District, Sage Ridge Dr., Tonasket	519.00
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There was no second to the motion.

Upon the vote to approve the Minutes as amended, Commissioners Womack and Johnson voted no. The motion failed two to one.

Commissioner Bunch moved and Commissioner

Womack seconded to approve the Minutes as originally submitted. Upon the vote, Commissioner Johnson voted no. The motion carried two to one.

11. Approval of Work Orders:

The following work orders were submitted for approval:

04-0002		
04-0002	Donald Crossman, Gold Rush Rd.	2,483.00
04-0003	Mark Nesbaum, Methow Valley Hwy., Twisp	736.00
04-0003&2	Gary Super, 780 Havillah Rd.	1,052.00
04-0004	Bill Orman, Lookout Trail Rd.	1,604.00
04-0004	Beverly Josaitis, 1020 Main St., Oroville	1,673.00
04-0083	Mike Port, Hwy. 153 (Rev. #1)	9,716.00
04-0151	Chris Edmondson, Ed Figlenski Rd.	4,671.00
04-0277	Nathan Fulwiler, Bannon Creek Rd.	5,228.00
04-0332	Jose Medrano, 257 Old Hwy. 97, Brewster (Rev. #1)	4,554.00
04-0333	Shane Knowlton, Hwy. 7	5,263.00
04-0340	Terry Donahue, Lot 1031 - Okanogan River Ranches	1,359.00
04-0377	City of Okanogan, Sunrise Heights	13,626.00
04-0427	Erin Sneeringer, 31556B Hwy. 97	1,390.00
04-0443	Tracey Edwards, 4 th & Ferry, Omak	12,343.00
04-0454	Brian Rhodes, 6 Five Mile Rd.	861.00
04-0463	Dulcie Brown, Eastlake Rd.	640.00

04-0469	Erin Thomasson, 1832 Loomis-Oroville Rd.	3,975.00
04-0484	Neff's Alta Vista Orchard, 17 Alta Lake Rd. (Rev. #1)	2,733.00
04-0487	Dave Judd, Pharr Rd. District, Gold Creek Rd.	3,680.00
04-0490	District, 577A Old Hwy. 97	539.00
04-0492	District, 127 Valley Rd., Brewster	2,668.00
04-0495	Lance Brown, Loup Hwy.	860.00
04-0497	District, 756 N. Star Rd., Brewster	3,393.00
04-0501	Corey Traylor, 20 Stokes Rd., Carlton	524.00
04-0503	Twisp Business Park— Phase I & II, SR 20, Twisp	5,471.00
04-0509	Marty Robinson, 156 Starr Rd., Pateros	47,124.00
04-0511	Kurt Rains, S. of Malott District, Frontage Rd. off of Switch #6229	4,261.00
04-0512	Johnson, William, 169 Westlake Rd., Oroville	3,834.00
04-0514	District/Gold Digger, Oroville	4,733.00
04-0516	Kent Marson, Lookout Trail Rd.	2,249.00
04-0518	Robert Dennis, 83 Summit Lake Rd.	2,639.00
04-0523	Warren Riggs, Rawhide Rd.	4,005.00
04-0525	Rudy Olson (R & J Construction), 141 Johnson Creek Rd.	2,415.00
04-0528	District/Oroville School District, 25A Swanson Mill Rd.	3,834.00
04-0540	District, Old 97 across from Malott Substation	2,299.00
04-0543	Total	1,648.00
04-0554		\$172,872.00

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

12. Approval of Vouchers:

Vouchers No.'s 84077 through 84157 in the amount of \$1,222,778.95, No.'s 84158 through 84160 in the amount of \$2,170.13, No.'s 84161 through 84187 in the amount of \$167,915.26, and No.'s 84188 through 84269 in the amount of \$423,492.87 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:

In a letter to the Board of Commissioners, Energy Services Coordinator Debra Peters requested to transfer to the write-off/collection process the outstanding conservation loan balance of \$3,081.55 on account #13147 in the name of Dan and Joanne Curry.

Commissioner Bunch moved and Commissioner Johnson seconded to approve transfer for write-off/collection of the outstanding conservation loan balance of \$3,081.55 on account #13147 in the name of Dan and Joanne Curry. The motion unanimously carried.

14. Wells Contract Discussion/Bill Dobbins:

Douglas County PUD Manager Bill Dobbins outlined the terms of the proposed Wells Project Settlement Agreement between Douglas PUD and the Colville Tribe. Negotiations between the parties began two years ago in advance of the 2012 relicensing of the Wells Project. The Federal Power Act requires utilities to compensate Native Americans for impacts to Tribal lands. Tribal compensation has been an issue since the dam was first licensed in 1962, and the Settlement Agreement would resolve all claims involving annual charges for use of Indian land for the Wells Project. Under the settlement, the Colvilles agreed to support Douglas PUD's bid for a new license and to drop all other land claims. The tentative Settlement Agreement includes a lump sum payment by Douglas PUD on behalf of the Wells Dam Project to the Colvilles of \$13.5 million, transfer of certain real property owned by Douglas PUD, but surplus to the Wells Project, and sale at cost of an allocation of 4.5% of Wells Project output through August 31, 2018, increasing to 5.5% thereafter.

According to Dobbins, Okanogan PUD as a purchaser of 8/38's of Douglas PUD's share of Wells Dam is affected by the settlement but does not have the same oversight provision as the other purchasers. Douglas PUD, however, has requested that Okanogan PUD sign onto the request to the Federal Energy

Regulatory Commission for approval of the Settlement Agreement. Okanogan PUD agreed to review the documents as expeditiously as possible.

15. Executive Session - Litigation:

President Womack recessed the Commission into executive session at 11:55 a.m. to discuss litigation.

President Womack reconvened the Commission into regular session at 2:50 p.m.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize management to retain legal counsel in an amount not to exceed \$20,000 to review the Wells Dam Power Sales Contract between Okanogan and Douglas PUD and the proposed Wells Dam Settlement Agreement between Douglas PUD and the Colville Tribe. The motion unanimously carried.

Commissioner Bunch moved and Commissioner Johnson seconded to authorize the Manager to hire a Power Management person, with the understanding that the Commission expects to see a savings generated in the first year or two to justify the position. The motion unanimously carried.

Commissioner Bunch moved and Commissioner Johnson seconded to authorize staff to send a letter to the Federal Energy Regulatory Commission to commence the Enloe Dam licensing process. The motion unanimously carried.

Commissioner Johnson moved and Commissioner Bunch seconded to authorize the Manager to enter into reimbursement agreements associated with the Slice litigation. The motion unanimously carried.

There being no further business to discuss, the meeting adjourned at 3:00 p.m.

David A. Womack, President

ATTEST:

Darrel E. Bunch, Vice-President

Donald W. Johnson, Secretary