

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

**Okanogan PUD Auditorium
January 11, 2005
8:30 a.m.**

Present:

Board: David Womack, Donald Johnson, Ernest Bolz
Staff: Chuck Berrie, Doug Adams, Don Coppock, Larry Felton,
Derek Miller, Julie Pyper
Other: Michael Howe - Legal Counsel
Public: Brian Kirchner, Roberta Donnor, Vicky Welch, Maeyowa,
Ann McCreary, Bob Williams

Summary Agenda

1. Call to Order
2. Additions/Deletions to Agenda
3. Oath of Office for Commissioner Bolz
4. Election of Officers/Committee Assignments
5. Commission Meeting Schedule
6. Approval of Minutes
7. Public Comment
8. Public Power Council Assessments Discussion
9. Methow Transmission Line New DEIS Publication Schedule
10. Privilege Tax Discussion
11. Manager's Report
12. Power Supply Report
13. Nine Canyon Wind Project
14. Public Comment
15. Meetings
16. Approval of Work Orders
17. Approval of Vouchers
18. Approval of Transfer of Accounts
19. Executive Session
- may be called for purposes authorized by the Open Public Meetings Act
20. Adjournment

1. Call to Order:

President Womack called the meeting to order at 8:30 a.m.

2. Additions/Deletions to Agenda:

Manager Berrie added to the agenda a discussion regarding Nine Canyon Wind Project debt refinancing.

Commissioner Johnson requested a change in the agenda order to move the Minutes approval back to where it had been traditionally.

3. Oath of Office for Commissioner Bolz:

Attorney Howe administered the oath of office to Ernest Bolz as elected PUD Commissioner for District No. 3.

4. Election of Officers/Committee Assignments:

President Womack opened the floor for nominations to elect officers.

Commissioner Johnson moved and Commissioner Womack seconded to nominate Ernest Bolz as President. The motion unanimously carried.

Commissioner Johnson moved and Commissioner Bolz seconded to nominate David Womack as Vice President. The motion unanimously carried.

Commissioner Bolz moved and Commissioner Johnson seconded to nominate Donald Johnson as Secretary. The motion unanimously carried.

In regard to assignments pertaining to officer responsibility, Commissioner Johnson noted that items are added to the Agenda that the public is not aware of prior to the meeting. In addition, public comment used to come after the approval of Minutes, which allowed the public to comment and then leave the meeting if they had other obligations. Commissioner Womack noted that the Commissioners currently have the option of adding items to the agenda.

Commissioner Johnson moved and Commissioner Bolz seconded that the President shall have final responsibility, after consulting with the Manager and Commissioners, for setting the Board Agenda that is distributed to the press and public prior to the meeting. Upon the vote, the motion unanimously carried.

Commissioner Johnson moved and Commissioner Bolz seconded that the Secretary shall have responsibility for the final draft of the Minutes that are submitted for approval at the next meeting. Commissioner Womack was agreeable with the process if the intent is to address what happens today, but he questioned the appropriateness of coming back two weeks later and making

changes based upon an individual's interpretation. Johnson stated that both reasons and objections are not always included. Commissioner Bolz pointed out that according to Parliamentary Rules, Minutes should record the action taken with discussion to be hinted at but not detailed. Upon the vote, Commissioner Womack voted no. The motion carried two to one. (The Recording Secretary will e-mail the draft Minutes to the Board Secretary, who will make any necessary corrections and e-mail a copy to the other Commissioners for their input.)

Commissioner Johnson supported having one set of Minutes and eliminating the Board Highlights that are distributed to the public before the Minutes are adopted. Commissioner Womack was not concerned with the distribution of meeting Highlights before the Minutes are adopted because the subject matter of the Highlights is generalized.

Both Commissioners Johnson and Womack expressed a desire to serve on the Energy Northwest Board of Directors and as the District's representative on the Washington PUD Association Board of Directors. Following discussion, it was agreed that Commissioner Johnson would assume the Energy Northwest Board position and Commissioner Womack would serve on the WPUDA Board as he is presently on the WPUDA Legislative Committee.

Committee/organization assignments for 2005 were established as follows:

	<u>Representative</u>	<u>Alternate</u>
Energy Northwest	Don Johnson	David Womack
Energy Northwest Participants Review Board	David Womack	
NoaNet	Ernie Bolz	
North Central Educational Services District	Don Johnson	
Northwest Public Power Association	Ernie Bolz	Don Johnson
Public Utility Risk Management Services	Ernie Bolz	Fred Burke
Public Power Council	Chuck Berrie	Don Johnson
PUD Association	David Womack	Don Johnson
PUD Association Round Table	Ernie Bolz	Don Johnson

5. Commission Meeting Schedule:

The Commissioners discussed the location of upcoming evening meetings. The following meeting schedule was set:

January 25, 2005 Brewster (location to be determined) 6:00 p.m.
 February 8, 2005 Okanogan PUD Auditorium 8:30 a.m.

February 22, 2005 Oroville (location to be determined) 6:00 p.m.
March 8, 2005 Okanogan PUD Auditorium 8:30 a.m.
March 22, 2005 Twisp (location to be determined) 6:00 p.m.

6. Approval of Minutes:

Commissioner Johnson moved and Commissioner Womack seconded to approve the Minutes of the December 14, 2004 regular meeting.

Commissioner Johnson moved and Commissioner Bolz seconded to amend the last paragraph of Item 14 - Telecommunications System Evaluation Proposals as follows:

Commissioner Johnson moved and Commissioner Bunch seconded to authorize staff to develop a Professional Services Agreement with Sparling Telecommunications Consulting Services **based on their proposal at a cost not to exceed \$33,000**, and to develop a Professional Services Agreement with Randall Kowalke for duties to be assigned by management.

The motion unanimously carried.

The motion to approve the Minutes as amended was unanimously carried.

7. Public Comment:

There was no public comment.

8. Public Power Council Assessments Discussion:

Manager Berrie reported that in addition to the annual Public Power Council dues of \$18,528, PPC has established a voluntary fish assessment to support the long-term salmon strategy efforts in the Pacific Northwest. Okanogan PUD's share of the 2005 voluntary fish assessment is \$9,053. The \$1.5 million/year budget will support an effort, coordinated with other utility and industry interests, to create and implement a comprehensive, cost-effective and legally and scientifically defensible fish and wildlife plan for the federal hydro system that clearly defines fish and wildlife obligations. At least 25% is expected to be spent on legal costs and 30-50% on public outreach and education. This objective includes achieving greater effectiveness and certainty with respect to BPA's fish and wildlife spending. In so doing, the goal is to lower rates paid by utility customers while supporting salmon recovery efforts within the Columbia River Basin. PPC's proposal includes increasing technical capabilities, developing and implementing a public outreach and education effort, and

coordinating a government relations plan and legal effort. PPC intends to retain 25% of the special fish assessment to defend the court challenged Biological Opinion even if two-thirds member participation is not achieved. Berrie also noted that Okanogan PUD has an opportunity to serve on the Advisory Board and Steering Committee.

Commissioner Womack moved and Commissioner Bolz seconded to approve a special assessment of \$9,053 for Okanogan PUD's portion of the 2005 Public Power Council voluntary fish assessment, with the understanding that PPC will utilize 25% of the special fish assessment to defend the court challenged Biological Opinion. The Commissioners and Manager agreed on the need for accountability and cost effectiveness; however, Commissioner Johnson questioned the technical expertise of the PPC and its ability to determine what is a "scientifically defensible fish and wildlife plan". He also felt it was unwise for PPC to spend 30-50% of the assessment on public outreach and education. Upon the vote, Commissioner Johnson voted no. The motion carried two to one.

9. Methow Transmission Line New DEIS Publication Schedule:

Manager Berrie provided an update on the Methow Transmission Project Draft Environmental Impact Statement publication schedule. It is expected that the Federal Register notice and newspaper notice will be published on January 28 or February 4 with a 45-day public comment period to commence upon publication. Public meetings will be held February 23 at the Okanogan PUD Auditorium and February 24 at the Liberty Bell High School in Winthrop.

Commissioner Johnson noted there has been a delay in the Board's receipt of EIS/Tetra Tech progress reports.

10. Privilege Tax Discussion:

Manager Berrie discussed Grays Harbor PUD's challenge of the Privilege Tax.

In lieu of a property tax, public utilities are assessed a Privilege Tax on gross revenues, including revenue on the basic connection charge. Grays Harbor has filed a claim and taken the position that a Privilege Tax should not be assessed on the basic connection charge because the law is based on the delivery (sales) of electric energy. The Department of Revenue has advised Grays Harbor to continue paying the tax.

The schools and cities in the County receive approximately 55% of the Privilege Tax. With less than \$50,000 of Okanogan PUD's revenue attributable to the basic charge, Manager Berrie recommended that Okanogan PUD not join in

filing a claim because of the impact a change in legislation could have on the ratepayers. If Grays Harbor were to prevail, however, the District would realize the benefit as well because the issue pertains to public utility districts.

The Board supported the position that Okanogan PUD would not file a claim challenging the Privilege Tax.

11. Manager's Report:

Manager Berrie reported on the following:

The District has executed a Professional Services Agreement with Randall Kowalke to assist with facilitating the Telecom Study Project that will be performed by Sparling Telecommunications Consulting Services. The District anticipates having a Professional Services Agreement executed with Sparling by the January 25 Board meeting.

The District's financial audit has been completed by the State Auditor's Office. An exit conference is scheduled for January 20, with individual conferences scheduled with the Commissioners commencing at 10:30 a.m.

The Public Power Council has taken the position that no BPA preference public power should be allocated to the Direct Service Industries (aluminum industry). The Washington PUD Association has not reached a unanimous position on the issue.

The PPC member utilities do not support BPA's proposal to reduce the Conservation and Renewable Discount funding and change the C&RD program to more closely follow the Conservation-Augmentation program, which is a generation/acquisition type program.

Costs and logistical issues are being addressed to determine office space for newly hired PUD employees. Options being considered include separating the auditorium with a wall to establish offices, having employees share offices, placing a mobile office in the parking lot, or eliminating the auditorium and moving the Board to the old Commission room (now the map room).

The direction of NoaNet will be discussed at a meeting in Seattle on February 1 - 2, 2005. The regular NoaNet board meetings have been moved to the second Wednesday of each month.

Chief Engineer Derek Miller reported that de-mothballing of the diesel generators is nearing completion. The generators will be run connected to the grid for one hour, which will signify the end of de-mothballing and the beginning of the Settlement Agreement terms with Cummins. While this occurs,

the District will continue to explore the most effective methods of obtaining the best value of the diesel generators.

12. Power Supply Report:

Power Supply Engineer Larry Felton reported that the District is proceeding with the licensing effort for Enloe Dam. A Request for Quotations will be issued to hire a contract employee/consultant who will act as license manager of the project.

Commissioner Johnson moved and Commissioner Womack seconded to authorize staff to enter into a Professional Services Agreement with one firm to move forward with Enloe Dam.

Felton submitted graphical information comparing the Calendar Year 2004 net actual wholesale power sales revenue versus the original budget estimate. Purchases totaled \$20.6 million at an average cost of \$0.025/kWh with BPA power averaging \$0.031 and Wells Dam \$0.009/kWh. Retail sales totaled \$28.7 million with an average price of \$0.05/kWh. A reduction in retail demand since 2000 resulting from customers' reduced use, as well as additional PUD power acquisition, provided for \$8.1 million in wholesale power sales (\$1.6 million more than estimated in the 2004 budget). The megawatt hours sold for CY04 (203,270) were 10% higher than the estimate of 185,569, while the average sales price was 25% higher than expected at 39.68 mills (4¢) compared with the forecast of 34.78 mills (3.5¢).

13. Nine Canyon Wind Project:

Larry Felton submitted a handout on the results of the Nine Canyon Wind Project - Phase I refinancing. By Resolution No. 1287, Okanogan PUD, as a purchaser of 25% output of Phase I of the Energy Northwest Wind Project, authorized ENW to refund a portion of the Wind Project Revenue Bonds, Series 2001, to reduce debt service payments - if the issuance of such refunding bonds resulted in not less than \$4,000,000 in debt service savings.

The refinancing achieved a savings of \$5.3 million over the life of the loan (20 years), which will result in a savings to Okanogan PUD of \$66,000 per year less costs. The District is required to execute a Purchaser's Certificate in connection with the issuance and sale by ENW of the Wind Project Revenue Refunding Bonds, Series 2005, and a Supplemental Continuing Disclosure Agreement dated January 25, 2005.

Commissioner Womack moved and Commissioner Johnson seconded to authorize the Board President to execute the Purchasers Certificate in

connection with the Energy Northwest Wind Project Revenue Refunding Bonds, Series 2005, and for the Manager to execute the Supplemental Continuing Disclosure Agreement dated January 25, 2005. The motion was unanimously carried.

14. 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.

Vicky Welch of Twisp asked how the PUD's power allocation from Wells Dam was affected by the Colville Tribal settlement. (According to the District's Power Resource Engineer, Okanogan PUD's percentage of the project was reduced from 8% to 7.64%.) Welch also inquired about transmission line reconductoring.

15. Meetings:

Commissioner Bolz will attend a Washington PUD Association two-day orientation for new Commissioners in Olympia on January 12 -13.

Commissioner Johnson will attend a WPUDA legislative reception in Olympia on January 13 and a Board of Directors meeting on January 14.

The next Okanogan PUD Board meeting is scheduled for 6:00 p.m., January 25, 2005 at a location to be determined in the Brewster area.

16. Approval of Work Orders:

The following work orders were submitted for approval:

04-0003 Barry Blomme, 1923 Loomis-Oroville Rd.	\$1,104.00
04-0183 Dick Lamore, 217 Twisp-Carlton Rd. (Rev. #1)	4,355.00
04-0217 District, B & O Grade - S. of Okanogan	1,735.00
04-0410 Joel Mason, Kirkpatrick Rd.	4,879.00
04-0412 Les Knight, Conconully Hwy.	1,643.00

04-0466 Dept. of Ag.-US Customs, Osoyoos Border, Oroville	5,214.00
04-0500 District, Ridge Place, Omak	19,191.00
04-0542 District, Oroville	54,716.00
04-0564 District, Omak River Rd.	4,592.00
04-0567 District, 16th St., Oroville	22,132.00
04-0572 District, Okanogan	527.00
04-0575 Jeff Bunnell, Eastside Oroville Rd. & Molson/Chesaw Rd.	2,376.00
04-0579 Tom Acord, Hwy. 97 - Mile Marker 326	4,072.00
04-0590 Ty Olson, 1756 Tunk Creek Rd. (Rev. #1)	2,630.00
04-0594 Jim Wilcox, Frontage Rd. - S. of Tonasket	5,131.00
04-0598 Duane Hinger, 864 Old Hwy. 97	841.00
04-0600 Yusi Construction, Highland Dr., Okanogan	3,513.00
04-0601 Tollefson Construction, Eagle View (Wildwood), Omak	2,255.00
04-0604 District, Pine Creek Rd.	2,477.00
04-0606 Monte Vance, 28469B Hwy. 97	4,384.00
04-0607 Melvin Gallagher, 16 Gavin Rd., Oroville	1,451.00
04-0608 Mike Tolmich, 15 Woods Rd.	4,420.00
04-0611 Brent Yusi, Highland Dr., Okanogan	918.00
04-0612 Hugh Clawson, 734 North Star Rd.	1,291.00
04-0613 Gebbers Farms, North Star Rd.	1,948.00
04-0615 Tessema Embert, Golden Rule Rd.	3,244.00
04-0617 Tim Taylor, 164 Mt. View Rd.	1,280.00
04-0619 Ken Cumbo, 33352 Hwy. 97	2,014.00
04-0620 District, River Rd., Omak	9,899.00
04-0621 District, Johnson Creek Rd.	1,682.00
04-0622 District, 312 Omak/Riverside Eastside Rd.	1,201.00
04-0630 Arnie VanHees, 89 Whiterock Rd.	734.00
Total	\$177,849.00

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

17. Approval of Vouchers:

Vouchers No.'s 84843 through 84940 in the amount of \$616,965.69, No.'s 84941 through 84944 in the amount of \$107,814.65, No.'s 84945 through 84970 in the amount of \$206,083.21, No.'s 84971 through 85082 in the amount of \$1,136,470.00, No.'s 85083 through 85150 in the amount of \$152,352.24, No.'s 85151 through 85178 in the amount of \$182,123.03, No.'s 85179 through 85197 in the amount of \$9,688.50, No.'s 85198 through 85265 in the amount of \$274,857.86, and No. 85266 in the amount of \$13,184.04 were approved for payment from the revenue fund.

Commissioner Womack moved and Commissioner Johnson seconded to approve the vouchers.

The voucher payment of \$521 to Cascade Columbia River Railroad was questioned. Auditor Coppock noted that the District is working toward resolving the issue of railroad crossing permit fees and expects to have a proposal for discussion at a future meeting.

Commissioner Johnson questioned the voucher payments totaling \$5,700 to Keynote Speakers for the January 17, 2005 Employee Day. He felt the motivational speaking fee was not justifiable, although he supported an Employee Day. Manager Berrie noted that Employee Day was recommended as a result of strategic planning, and it is a good opportunity to provide a speaker. Commissioner Womack pointed out that a speaker allows the utility the opportunity to provide training at less cost than sending employees out. Commissioner Johnson pointed out that a motivational talk did not constitute training.

Upon the vote on the vouchers, the motion unanimously carried.

Commissioner Johnson moved for the District to not spend over \$500 for a motivational speaker. There was no second to the motion.

18. Transfer of Accounts:

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

19. Executive Session:

President Bolz recessed the Commission into executive session at 11:45 a.m. for the purpose of discussing personnel, real estate and litigation.

President Bolz reconvened the Commission into regular session at 2:49 p.m.

Commissioner Womack moved and Commissioner Bolz seconded to adopt Resolution No. 1290 fixing the Manager's salary for 2005 to include a 1.5% increase effective January 1, 2005. In terms of the Manager's salary, the Board favored setting time intervals for which increases would be considered. A review will occur between now and September 2005, at which time salary compensation will be determined for next year.

Upon the vote, the motion unanimously carried.

Commissioner Johnson moved and Commissioner Womack seconded that the salaried staff shall receive a 1.5% pay increase retroactive to January 1, 2005. The motion unanimously carried.

20. Adjournment:

There being no further business to discuss, the meeting adjourned at 2:55 p.m.

Ernest J. Bolz, President

ATTEST:

David A. Womack, Vice-President

Donald W. Johnson, Secretary