

**Minutes of the Special Meeting of the Board of Commissioners  
of Public Utility District No. 1 of Okanogan County**

**Okanogan PUD Auditorium  
1331 2nd Avenue North, Okanogan, WA  
June 3, 2005  
2:00 p.m.**

**Present:**

**Board:** Ernest Bolz, David Womack, Donald Johnson  
**Staff:** Chuck Berrie, Doug Adams, Derek Miller, Jerry Day, George Howe,  
Steve Brown, Julie Pyper, Stacy Clough  
**Public:** Randall Kowalke - Consultant; David Sexton - NCI Data; Jason  
Dodgen & Bill Swayze - Community Net; Jeff Hardy - Methow Net;  
Adam Glenn - Intra Spectrum; Claire & Ed Jeffko; Darrel & Judy  
Bunch; Roy Webster, C J Hack

**Summary Agenda**

1. Call to Order
2. Network Operations Center Presentation
3. Telecommunications Tax Issue
4. Telecommunications Review
5. Adjournment

**1. Call to Order:**

President Bolz called the meeting to order at 2:00 p.m.

**2. Network Operations Center Presentation:**

Consultant Randall Kowalke presented a Service Order Summary supplement to the Master Service Agreement for Communications Transport Services between the Northwest Open Access Network and Okanogan PUD. The scope of service is to provide the District with coordinated monitoring and support of the District's network that will enhance reliability and interoperate with NoaNet and other PUD networks utilizing similar services. The initial term of the agreement is for one year from July 1, 2005 at a fee of \$5,350.00/month and a \$2,750.00 non-recurring charge, with the right to renew the agreement for two additional one-year renewal terms under the same terms and conditions. The services are intended to replace the emergency monitoring services currently provided the District by Black Hole Networks and a portion of the functions performed by Cut Throat Communications.

The Board will act on the agreement at the June 14 meeting.

### 3. Telecommunications Tax Issue:

Manager Chuck Berrie reported that the Department of Revenue has determined that wholesale subject sales by public utility districts should be classified as a retail sale for tax purposes and public utility districts should be collecting and remitting retail sales tax. In settlement negotiations with the Washington PUD Association, the Department of Revenue has proposed for public utility districts to be held harmless for not collecting the tax prior to July 1, 2005, but to begin collecting and remitting the tax on that date.

It is Manager Berrie's recommendation that the District sign the agreement, and staff plans to begin informing District customers about the anticipated tax change. The Board will act on the matter at the June 14 meeting.

### 4. Telecommunications Review:

Director of Finance Don Coppock submitted a report on the loan from the Electric System to the Communication System of \$7,000,000.00 at 5% interest. A review of the 2002 and 2003 bond documents found no reference to the loan, although the District's cash flow analysis reflects an intracompany loan.

Varying opinions have been expressed as to the acceptable method of allocating costs between the Telecom and Electric divisions. The original plan was for the Telecommunications division to pay its respective costs, which would be reflected as a loan from the Electric division. It was pointed out that last year's 2003 Annual Report to the State Auditor included on pages 2 and 3 of Management and Analysis, as noted in the July 27, 2004 Board minutes, reference to the \$7 million loan with an interest rate of 5% from the Electric System to the Communication System. In addition, the November 5, 2002 presentation regarding the 2003 Telecom budget refers on page 1 to the \$7 million loan and its debt service cost to Telecom; on page 2 a \$340,000.00 annual debt service is cited. Telecom Cash Flow Spreadsheets (11/19/01) also refer to Electric Loan Interest on the previous year's debt at 5% interest. The 2003 Annual Report to the State Auditor stated that by the end of 2003 the District had invested a total of \$6,725,258.00 in telecommunications, however it included no debt service payment.

The District is also considering options other than a full repayment to Electric from Telecom as it is recognized that one of the primary reasons for the District's involvement in the Telecom business was to support its Electric service operations. RCW 54.16.330 requires that revenues from telecommunication business be used to repay loans used to finance the establishment of the telecommunication business.

In determining how much of the existing backbone system is needed for the District's needs, staff was directed to review the original Business Plan and provide options for the Board to consider at the June 14 meeting.

A four page document, PUD Telecommunications Assessment Study - Items for Consideration, was provided by Commissioner Johnson. It reviewed the Sparling report; points presented were identified by page number.

The Telecom Operating Philosophy was discussed further. The Mission Statement and Operating Philosophy are expected to be in final form and adopted at the June 14 meeting.

Discussion continued on the draft list of "Elements of Success".

The June 13, 2005 special Board meeting to discuss telecommunications was canceled. The next regular Board meeting is scheduled for June 14, 2005 at 8:30 a.m. at the Okanogan PUD Auditorium.

#### **5. Adjournment:**

There being no further business to discuss, the meeting adjourned at 5:15 p.m.

Ernest J. Bolz, President

ATTEST:

David A. Womack, Vice-President

Donald W. Johnson, Secretary