

Minutes of the Regular Meeting of the Board of Directors  
Public Utility District No. 1 of Okanogan County

Okanogan PUD Auditorium  
1331 2nd Avenue North, Okanogan, WA  
June 14, 2005  
8:30 a.m.

**Present:**

Board: Ernest Bolz, David Womack, Donald Johnson  
Staff: Chuck Berrie, Doug Adams, Don Coppock, Derek Miller, Dan  
Boettger, Debra Peters, Jeff Deason, Steve Brown, Julie Pyper  
Michael Howe - Legal Counsel  
Other: Tom Krueger & Barry Bush - Energy Northwest  
Steve Jones - Marten Law Group  
Randall Kowalke - Consultant  
Public: Mike Brooks, John Andrist, Chris Thew, Harlan Warner, Roy  
Webster, Brian Kirchner, Paul Grosvenor, Carl Christensen, Jeri  
Rabenold

**Summary Agenda**

1. Call to Order
2. Additions/Deletions to Agenda
3. Presentation of NWPPA Awards to Harlan Warner
4. Public Comment
5. Energy Northwest
6. Electrical System at Fair
7. Resolution No. 1293  
Adopting PUD Telecom Mission Statement & Operating Philosophy
8. Resolution No. 1294  
Declaring Certain Equipment Surplus & Authorizing Sale/Disposal
9. Northwest Open Access Network - Service Order Agreement
10. Grant for Solar Panel Discussion
11. Telecom Tax Issue
12. Discussion of Washington PUD Association Building
13. Discussion of Rules & Procedures for Meetings
14. Executive Session/Working Lunch
15. Manager's Report
16. Power Supply Report
17. Public Comment
18. Meetings
19. Approval of Minutes
20. Approval of Vouchers
21. Approval of Transfer of Accounts

- 22. Executive Session
- 23. Adjournment

**1. Call to Order:**

President Bolz called the meeting to order at 8:38 a.m.

**2. Additions/Deletions to Agenda:**

Manager Chuck Berrie added to the agenda the presentation of NWPPA awards.

**3. Presentation of NWPPA Awards to Harlan Warner:**

Manager Berrie presented retired manager Harlan Warner with the Northwest Public Power Association Excellence in Engineering or Operations Award in memory of Milton Hunt Meguire, which is given to one engineer or operations person who has made outstanding contributions to the utility industry. NWPPA also selected Warner as the recipient of the Paul J. Raver award for community service, as well as the Life Membership Award along with former commissioner Darrel Bunch.

**4. Public Comment:**

Paul Grosvenor, Treasurer of the non-profit Merc Playhouse in Twisp, requested that the Board consider eliminating or reducing the service fee on the theater's conservation loan. The Board agreed to review the policy and address the matter at the next Commission meeting.

Roy Webster asked about the availability of a fiber service area map.

John Andrist of NCI Data commented on the telecommunications review process under agenda item 7. Because his business activity is closely tied to Okanogan PUD and NoaNet, he emphasized a desire to work with the PUD on understanding the maintenance and operation of the system as well as the financial implications.

**5. Energy Northwest:**

Tom Krueger and Barry Bush of Energy Northwest briefed the Board and staff on Energy Northwest's plans for an Integrated Gasification Combined Cycle development in response to member utilities emphasizing their desire for more renewable and thermal generation options. A feasibility analysis has been conducted for the construction of a 600 MW IGCC project, which produces a clean gas from coal or petroleum coke that is used to generate power.

Consideration and action by local boards to approve Energy Northwest's undertaking of the project is requested prior to the vote on July 27, 2005 of the Energy Northwest Board of Directors on a resolution to proceed with the IGCC development.

Commissioner Bolz will participate in Energy Northwest's IGCC information workshop in Richland on June 15, 2005. The Okanogan PUD Board will address the project at a future meeting.

#### **6. Electrical System at Fair:**

Manager of Operations Doug Adams noted that in discussions with Okanogan County Fair Director Carl Christensen on the location for the PUD's outdoor electrical demonstration at the fair this fall, it was determined that the overhead secondary is a safety issue and should be upgraded. Because the fair has a very limited budget, Christensen requested that the District supply wire and conduit to complete the backbone portion of the secondary replacement. The District's engineering cost estimate for the wire and conduit is \$2,392.

Commissioner Johnson moved, seconded by Commissioner Womack, to accept the proposal as presented to supply wire and conduit to complete the backbone portion of a secondary replacement at the Okanogan County Fairgrounds at an estimated cost of \$2,392, which is needed to accommodate the District's outdoor electrical demonstration at the fair. The motion unanimously carried.

#### **7. Resolution No. 1293 Adopting PUD Telecom Mission Statement & Operating Philosophy:**

Manager Berrie presented Resolution No. 1293 adopting a mission statement and an operating philosophy for OK PUD Telecom business.

Commissioner Womack moved, seconded by Commissioner Johnson, to adopt Resolution No. 1293. The motion unanimously carried.

#### **8. Resolution No. 1294 Declaring Certain Equipment Surplus & Authorizing Sale/Disposal:**

Doug Adams presented Resolution No. 1294 declaring certain equipment surplus and authorizing the sale or disposal thereof. Surplus vehicles and miscellaneous equipment will be sold at the upcoming public auction in Chelan. In determining the best interest of the utility, Commissioner Womack suggested that the District consider the cost of a private entity transporting auction vehicles.

Commissioner Johnson moved, seconded by Commissioner Womack, to adopt Resolution No. 1294. The motion unanimously carried.

## **9. Northwest Open Access Network - Service Order Agreement:**

Manager Berrie presented the Service Order Agreement for network coordinated services between NoaNet and the District, as proposed at the June 3, 2005 meeting.

Commissioner Womack moved, seconded by Commissioner Johnson, to authorize the Manager to sign the Service Order Summary supplement to the Master Service Agreement for Communications Transport Services between the Northwest Open Access Network and Okanogan PUD. The motion unanimously carried.

## **10. Grant for Solar Panel Discussion:**

Steve Brown and Debra Peters of the Conservation Department presented information on the Rural Utilities Service High Energy Cost Grant Program. The program, under the Rural Electrification Act, provides financial assistance for the improvement of energy generation, transmission and distribution facilities serving rural communities with home energy costs that are over 275 percent of the national average (\$.23/kWh).

Through grant funding, Ferry County PUD is currently administering one solar photovoltaic system and over 30 conventional distribution line extensions.

The Board directed staff to research the line extension policy of other utilities and the possibility of obtaining grant funding, similar to Ferry County PUD, to fund a revolving loan fund for the purpose of financing solar and line extensions for remote customers.

## **11. Telecom Tax Issue:**

The Board readdressed a proposed Settlement Agreement with the Department of Revenue, which follows the Department's determination 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 had 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.

The options of not signing the agreement were discussed as well as the effect the tax would have on Internet service providers. Staff recommended that the District sign the Settlement Agreement and noted that the tax is not expected to remain in effect beyond November 2007 unless there is a change in legislation.

Commissioner Johnson moved, seconded by Commissioner Bolz, to authorize the Manager to sign the Settlement Agreement with the Department of Revenue on the issue of classifying wholesale subject sales by public utility districts as a retail sale for tax purposes. The motion carried two to one with Commissioner Womack opposed.

#### **12. Discussion of Washington PUD Association Building:**

The Board discussed building size options and the framework that is being designed to allow individual member choice for financing the Washington PUD Association Olympia building. At the next meeting of the WPUDA Building Committee, Commissioner Womack will convey Okanogan PUD's preference for a conservative building approach that does not include pre-funding the land and building costs.

#### **13. Discussion of Rules & Procedures for Meetings:**

Following e-mail discussions between the Commissioners, consideration was given to returning to the use of Robert's Rules of Order (Newly Revised, 10th Edition) and updating the Resolution on meeting procedures and the conduct of Board business. There was also support by two Commissioners to audio record meetings that occur at the District headquarters, with Minutes of the Board meetings to be maintained separately from the audio recording and an audio recording to be made available on the PUD website.

The Commissioners supported changing the established time for PUD Board meetings when the next meeting schedule is set. It was proposed that meetings would begin at 12:00 p.m. to allow for executive session prior to the start of regular session at 1:00 p.m. Evening meetings would commence at 5:00 p.m. for executive session with regular business to follow at 6:00 p.m. To assure a productive meeting, it was also suggested that a time limit or fixed time to adjourn be set.

President Bolz will amend for the Board's review the Resolution adopting rules and procedures for meetings. Staff was directed to draft a Resolution amending the established meeting schedule.

#### **14. Executive Session/Working Lunch:**

President Bolz recessed the Commission into executive session for one hour at 12:00 p.m. to discuss potential litigation. The Commission reconvened into regular session at 1:00 p.m. and immediately recessed into executive session.

President Bolz reconvened the Commission into regular session at 1:30 p.m.

#### **15. Manager's Report:**

Manager Berrie reported on the following:

- Osmose Utility Services, Inc. has finished testing the Loup Loup transmission line pole structures. Staff plans to report on the findings at the next meeting.
- A draft agreement with the Forest Service to provide tree thinning on the Loup Loup transmission line right-of-way was received from the Forest Service and is being reviewed by staff.
- The Verestar satellite launch scheduled for June 20, 2005 has been postponed.

#### **16. Power Supply Report:**

- Revenue from the sale of wholesale power for the month of May is close to budget estimates.
- A Federal Court ruling in the Biological Opinion litigation will require an aggressive summer spill program that will affect the Columbia River dam. BPA has been pursuing a collaborative settlement approach, but estimates that the additional spill this summer will cost the region's ratepayers about \$67 million. As a BPA customer, the impact to the District could be \$350,000 - \$500,000; however, surplus power available for resale and increased market prices could offset negative impacts to the District.

#### **17. Public Comment:**

No public comment was offered.

#### **18. Meetings:**

Commissioner Womack noted that it has been five years since a meeting of the Washington PUD Association was held in Okanogan County. The Commissioners were in support of hosting a WPUA meeting in July 2006.

Commissioner Bolz toured the Enloe Dam site with Senator Morton and Manager Berrie on June 7, 2005. Commissioner Bolz and Manager Berrie attended a NoaNet Board meeting in Seattle on June 8, 2005.

The next Okanogan PUD Board meeting is scheduled for 6:00 p.m., June 28, 2005 in Tonasket at the Whistlers Restaurant Meeting Room, 616 South Whitcomb Avenue.

#### **19. Approval of Minutes:**

Commissioner Johnson moved, seconded by Commissioner Womack, to approve the Minutes of the May 18, 2005 special meeting. The motion unanimously carried.

Commissioner Johnson moved, seconded by Commissioner Womack, to approve the Minutes of the May 24, 2005 regular meeting. The motion unanimously carried.

Commissioner Johnson moved, seconded by Commissioner Womack, to approve the Minutes of the May 31, 2005 special meeting. The motion unanimously carried.

Commissioner Johnson moved, seconded by Commissioner Womack, to approve the Minutes of the June 3, 2005 special meeting.

Commissioner Womack moved to amend the June 3, 2005 Minutes Item 4 - Telecommunications Review by deleting the following information:

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 motion to amend failed two to one with Commissioner Womack opposed.

Commissioner Womack moved to amend the June 3, 2005 Minutes Item 4 - Telecommunications Review by deleting the following information:

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. Among the points discussed were the following. The fiber optic project was "to provide cost-based, open access telecommunications service". Capital costs to date total \$7,015,512; this does not include operation and maintenance, debt service, or depreciation. Provision of redundancy should be viewed as a requirement; its lack "is keeping some key stakeholders from buying additional bandwidth." "Only an alternative fiber route can provide true network redundancy. This is possible by constructing a new fiber path by deploying the fiber into the Methow Valley." "--little progress has been made by the PUD to use its network to implement a Supervisory and Control and Data Acquisition (SCADA) system to monitor and control its electric transmission and distribution system." "Currently, the OKPUD Telecom is not

providing any services to the District's electric utility division, other than basic telephone and LAN capability." "Current focus on its wireless customers drains limiting resources from dealing with service issues for its fiber customers." In July 2003 a wireless pilot project was "conceived to enable retail providers to provide--access--utilizing the OKPUD Telecom's fiber optic backbone." The District purchased and maintained customer premises equipment resulting in heavy service requirements. The District would own the infrastructure "and the retail providers would install end-user equipment". "The District is bearing the capital cost for this equipment and is essentially serving as a financing agency for the ISPs who pay a monthly fee to the District." "The cost of entry for an ISP is artificially low, since the District is responsible for the major capital costs." "It is important to ensure that new wireless towers do not create unnecessary competition that will further fragment the market--."

Following discussion, Commissioner Johnson agreed to eliminate the paragraph after the first two sentences.

The motion to approve the June 3, 2005 Minutes as amended unanimously carried.

#### **20. Approval of Vouchers:**

Voucher No.'s 87044 through 87071 in the amount of \$186,243.69, No.'s 87072 through 87115 in the amount of \$1,172,909.81, No.'s 87116 through 87182 in the amount of \$217,266.10, No. 87183 in the amount of \$84,067.66, and No.'s 87184 through 87209 in the amount of \$202,444.93 were submitted for payment from the revenue fund.

Commissioner Womack moved, seconded by Commissioner Johnson, to approve the vouchers. The motion unanimously carried.

#### **21. Transfer of Accounts:**

The following invoice was submitted for write-off/collection due to nonpayment:

Churape, Israel Invoice #3791 \$1,832.57

Commissioner Johnson moved, seconded by Commissioner Womack, to approve the account transfer. The motion unanimously carried.

#### **22. Executive Session:**

President Bolz recessed the Commission into executive session for 15 minutes at 2:10 p.m. to discuss litigation and a potential real estate transaction.

President Bolz reconvened the Commission into regular session at 2:34 p.m.

**23. Adjournment:**

There being no further business to discuss, the meeting adjourned at 2:35 p.m.

Ernest J. Bolz, President

ATTEST:

David A. Womack, Vice-President

Donald W. Johnson, Secretary