

**Minutes of the Regular Commission Meeting of  
Public Utility District No. 1 of Okanogan County  
Okanogan PUD Auditorium  
1331 2<sup>nd</sup> Avenue North, Okanogan, WA  
June 15, 2010  
2:30 p.m.**

**Present:** Board: David Womack, Ernest Bolz, Trish Butler  
Staff: John Grubich, Doug Adams, Don Coppock, Ron Gadeberg,  
Derek Miller, Janet Crossland, Tina DeLap  
Other: Michael Howe - Legal Counsel  
Sheila Corson - The Chronicle  
Olga Darlington, Jennifer Chu – Moss Adams LLP  
Larry Felton, Lori Blasdell, Glenn Booth, Misty David and  
Melissa Podeszwa – BPA

**Summary Agenda**

- I. Call to Order – 2:30 p.m.
- II. Pledge of Allegiance
- III. Business Meeting
  - 1. Review of Agenda
  - 2. Approval of Consent Agenda
    - a) Minutes of 5-18-10
    - b) Vouchers
    - c) Transfer of Accounts
  - 3. Public Comment
  - 4. Unfinished Business
  - 5. New Business
    - a) Moss Adams Audit Report
    - b) BPA Update - Larry Felton
    - c) Resolution No. 1509 - Senate Bill 6658
    - d) Contract Amendment - HD Supply AMI Meters
    - e) Contract Amendment - USKH Architects
    - f) P-T Line Bid Results
  - 6. Manager's Report
  - 7. Power Report - Wind Power Update
  - 8. Other Business
  - 9. Future Planning
  - 10. Meetings
- IV. Executive Session
- V. Adjournment

**I. Call to Order**

Commission President David Womack called the regular meeting to order at 2:30 p.m.

**II. Pledge of Allegiance**

The Pledge of Allegiance was recited.

**III. Business Meeting**

**1. Review of Agenda**

Commissioner Womack noted an Executive Session would be held at 3:00 p.m.

General Manager John Grubich noted a Treasurer's Report would be provided at today's meeting, and also requested the BPA update be moved to the beginning of the meeting to accommodate BPA staff travel time.

Commissioner Butler requested a WPUA Reform Workshop discussion be held as Other Business.

**2. Approval of Consent Agenda Items**

**a) Minutes**

Minutes of the May 18, 2010 regular meeting were submitted for approval.

**b) Vouchers**

Vouchers in the amount of \$5,174,728.32 were submitted for approval.

**c) Transfers of Accounts**

Transfers in the amount of \$7,094.43 were submitted for approval.

Commissioner Bolz moved to approve the consent agenda as presented. Commissioner Butler offered a second to the motion, which carried unanimously.

**3. Public Comment**

No public comments were offered.

**4. Unfinished Business**

No unfinished business items were presented.

**5. New Business**

**a) Moss Adams Review of 2009 Independent Auditor’s Report**

General Manager John Grubich noted last year was the first time the District had initiated an independent audit in addition to the yearly audit completed by the State of Washington. Olga Darlington and Jennifer Chu from Moss Adams presented the results of their 2009 Independent Audit Report dated May 28, 2010.

The District received an unqualified opinion from Moss Adams for financial statements issued December 31, 2009. Darlington also commended District staff for their assistance during the audit process, which she felt went very well.

**b) BPA Update - Larry Felton**

BPA Power Account Executive Larry Felton introduced BPA staff responsible for various aspects of District power contracts and servicing. Accompanying Felton was: Lori Blasdell, Slice / Block contracts; Melissa Podeszwa, energy efficiency, Misty David, metering department and Glenn Booth, load forecasting. Felton noted his availability for future discussions regarding provisional high water marks, zero transfer load issues and ways to smooth processes.

**c) Resolution No. 1509 - Senate Bill 6658**

Manager of Operations Doug Adams presented Resolution No. 1509 in support of Engrossed Substitute Senate Bill 6658 (ESSB 6658), which promotes the development of community solar projects and the use of equipment made in Washington through a cost recovery incentive program. There is no cost to the District and participation is voluntary.

Commissioner Bolz moved to approve Resolution No. 1509 in support of Engrossed Substitute Senate Bill 6658. Commissioner Butler offered a second to the motion, which carried with unanimous approval.

**IV. Executive Session**

The regular meeting recessed at 3:00 p.m. and reconvened into executive session at 3:05 p.m.

to discuss with legal counsel representing the District litigation or potential litigation to which the District, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the District, pursuant to RCW 42.30.110(1)(i). The executive session was expected to last approximately 30 minutes, with no action anticipated.

At 3:33 p.m. the executive session was recessed and the regular session resumed.

### **III. Business Meeting (continued)**

#### **5. New Business**

##### **d) Contract Amendment - HD Supply, AMI Meters**

Manager of Operations Doug Adams updated the Board on AMI metering progress and supply inventories. The District has a surplus of 320-amp meters with AMI software modules and a shortage in 200-amp meters with AMI modules. There are enough AMI compatible, 200-amp meters in inventory; however they do not have the AMI modules installed. Staff recommends keeping the surplus, 300-amp meters in inventory for future use and ordering 1,750 additional meter modules to install on the 200-amp meters from H.D. Supply at a cost of \$70.00 each.

Commissioner Bolz entered a motion to amend the H.D. Supply contract for “Delivery of AMI Meters with TWACS Modules” to provide 1,750 additional, 200-amp modules at \$70.00, for a not to exceed additional dollar amount of \$122,500.00 plus applicable taxes. Commissioner Butler offered a second to the motion. Upon the vote, the motion carried with unanimous approval.

##### **e) Contract Amendment - USKH Architects**

General Manager John Grubich provided a historical overview of USKH Contract issues. Due to project augmentations and an extended timeline, USKH is requesting an additional \$54,300 for project completion. Grubich noted all of the funds may not be required due to contested charges; however it is staff’s request that the Board authorize increasing the contract amount in the event it is needed. A discussion of change orders and project costs ensued.

Commissioner Butler moved to approve a contract amendment with USKH Architects in an amount up to \$54,300 for project completion. Commissioner Bolz offered a second to the motion, which carried unanimously.

##### **f) P-T Line Bid Results**

Construction bids for the Pateros - Twisp transmission line were opened on Thursday, June 10<sup>th</sup> and are currently being evaluated by District staff. A contract has not been awarded due to a letter from the Washington State Attorney General’s Office denying the District the right to early possession. All other parties with property on the P-T route have granted the District the right to early possession, making the Department of Natural Resources (DNR) the only entity stalling construction. Project costs are expected to rise significantly due to this delay. Legal Counsel Michael Howe noted by denying early possession, DNR forfeits their ability to recover costs and attorney fees.

The District offered DNR one hundred percent of the appraised land value for an easement to cross their property, which would not interfere with current cattle grazing leases. Funds received for the PUD easement would have gone into the State’s School Trust Fund, in addition to the monies received by grazing leases. Commissioner of Public Lands Peter Goldmark rejected that offer.

The original deadline for DNR to appeal the Superior Court ruling which granted the District the right to pursue eminent domain proceedings expired last Thursday, June 10<sup>th</sup>. Conservation Northwest, an intervener in the case, filed an appeal within that time frame which granted all parties (including DNR) an additional 14 days to file an appeal.

## 6. Manager's Report

General Manager John Grubich reported:

- The District successfully defended an “inadvertent contact” time-loss citation from the Department of Labor and Industries (L&I). As a result, L&I agreed to vacate their time-loss citation.
- Two contracts were signed with Cates & Erb for work on the Okanogan 115 substation property: \$44,729 for site leveling and \$17,917 for spill control.
- Standard & Poor's (S&P) is maintaining the District's current A- bond rating. A review by S&P for a possible rating upgrade is expected later in the year.
- A recent article in the Canadian newspaper *Keremeos Review* inaccurately stated, “\$750,000 was spent on this project [Shanker's Bend] in 2009...” To date, less than \$430,000 has been spent on the Shanker's Bend Project. A \$325,000 grant offset the majority of those costs, with the District's net cost-to-date less than \$105,000.
- District Systems Engineer Dan Simpson passed the final exam required to receive a Professional Engineer (P.E.) Degree. Simpson was commended for his achievement.

## 7. Power Report - Wind Power Update

Power Resource / Telecom Manager Ron Gadeberg presented a power report for the month of May. Wholesale power sales are close to budgeted figures. Retail power sales are approximately 14% below budgeted estimates. The average price for power sold on the open market was \$25.95/Mw.

Gadeberg also reported on the cost of wind power in 2009. Power from BPA is just under \$30/Mw and Wells Dam output is approximately \$18/Mw, making for an aggregated cost averaging \$25/Mw. Power generated by the Nine Canyon Wind Project cost the District approximately \$68.73/Mw, over twice the cost of hydro power. New wind generation is expected to cost \$100/Mw.

## 8. Treasurer's Report

District Treasurer Janet Crossland reported on financial transactions for the Month of May. The District began the month with \$17.4 million and ended the month with \$15.6 million in cash and investments on hand. Funds in the amount of \$2.8 million were deposited and warrants in the amount of \$4.5 million were paid.

General Manager John Grubich noted \$1 million was withdrawn from the state pool; however no money was withdrawn from the rate stabilization fund.

## 9. Other Business

Commissioners Butler and Womack and General Manager Grubich attended a Reform Workshop in East Wenatchee on June 10-11 to discuss future goals and possible re-structuring of the Washington PUD Association (WPUDA). As the District's voting delegate, Commissioner Butler sought input from the Manager and other Commissioners.

## 10. Future Planning

No future planning items were presented for discussion.

## 11. Meetings

Commissioner Bolz traveled to Sacramento, California on May 23<sup>rd</sup> to attend the NWPPA Annual Members' Meeting May 24 – 27, 2010. Bolz also traveled to Seattle on June 8<sup>th</sup> to attend a NoaNet Meeting and return home on June 9<sup>th</sup>.

Commissioner Butler attended a PURMS meeting in Seattle on May 18-19, and will attend the PURMS semi-annual meeting in Seattle on June 16-17. Butler also traveled to Sacramento, California on May 23<sup>rd</sup> to attend the NWPPA Annual Members' Meeting May 24 – 27 and attended the WPUDA Reform Workshop in East Wenatchee on June 10– 11, 2010.

Commissioner Womack attended the WPUA Reform Workshop in East Wenatchee June 10-11 and a pre-Board meeting in Okanogan on June 14, 2010.

**V. Adjournment**

There being no further business to discuss, the meeting was adjourned at 4:36 p.m.

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David A. Womack, President

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Ernest J. Bolz, Vice-President

ATTEST:

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Trish Butler, Secretary