

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan February 19, 2002**

Present:

Board: Darrel Bunch, Donald Johnson,
James Rowland via telephone at 10:25 a.m.
Staff: Harlan Warner, Richard Trimble, Derek Miller, Janet Crossland,
Don Coppock, Joy Schultz, Cary Pruitt,
Steve Luchte, Julie Pyper
Other: Michael Howe, Legal Counsel; Susie Buchert, Chronicle;
K.C. Mehaffey, Wenatchee World
Public: David Schultz; Dan & Gloria VanArsdale, Vicky
Welch, Kathleen Hirschstein, Lorah Waters, Tina DeLap

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

Summary Agenda

1. Approval of Minutes
2. Approval of Work Orders
3. Approval of Vouchers
4. Transfer of Accounts
5. Public Comment
6. Tiered Rate Report
7. Bond Anticipation - Resolution No. 1233
8. Contract for Bond Counsel Services
9. Omak Office Petty Cash Fund - Resolution No. 1232
10. Fiber Report
11. WPUA
12. Meetings
13. Public Comment
14. Executive Session - Litigation
15. Omak Office Dedication/Open House

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the January 22, 2002 regular meeting and the Minutes of the February 4, 2002 special meeting; Commissioner Bunch seconded. Commissioner Johnson requested the following changes to the January 22, 2002 Minutes, Item 6 - Foster-Wheeler Contract Proposal:

Include the word "temporary" in reference to generated power.

Delete "No action was taken" after Fred Burke's question to the Board if their decision changed the bond issue financing of \$8 million for the transmission line.

Commissioner Johnson felt that the Board had not changed its decision on the matter. Commissioner Bunch did not concur with Commissioner Johnson, so it was agreed to confer with Commissioner Rowland prior to voting on the Minutes. The motion to approve the Minutes of February 4, 2002 passed. Following discussion with Commissioner Rowland, Commissioner Johnson withdrew his request, and the motion to approve the Minutes of January 22, 2002 passed with the substitution of "temporary" in reference to generated power.

2. Approval of Work Orders:

The following work orders were submitted for approval:

01-0219	District, Pharr Rd., Riverside	\$1,308.00
01-0445	Don Dagnon, Nighthawk (Revised)	\$1,100.00
01-0600	Brew Hts Packg/District, 312 7th St. N., Brew.	\$1,149.00
01-0029	Kevin Skirko, 984 Old Hwy. 97	\$828.00
02-0030	District/Schons, Old Riverside Hwy.	\$630.00
02-0302	Howard Priester, 265 Neil Circle S.	\$4,640.00
02-0303	District, Chicken Robinson Rd.	\$1,300.00
	Total	\$10,955.00

Commissioner Johnson moved to approve the work orders; Commissioner Bunch seconded; motion passed.

3. Approval of Vouchers:

Vouchers No.'s 70067 through 70099 in the amount of \$161,002.28, No.'s 70100 through 70171 in the amount of \$1,494,220.96, No.'s 70172 through 70266 in the amount of \$548,383.40, No.'s 70267 through 70297 in the amount of \$164,998.20, No.'s 70298 through 70467 in the amount of \$226,787.45, and No.'s 70468 through 70540 in the amount of \$1,047,662.69 were approved for payment from the revenue fund.

Commissioner Johnson moved to approve the vouchers; Commissioner Bunch seconded; motion passed.

4. Transfer of Accounts:

Andrew, Lucretia	\$171.44
Armstrong, Dawn	\$1.11
Bouma, Rex	\$450.18
Champagne, Ronald David Jr.	\$120.93
Christensen, Morgan	\$32.71
Cocino, Hermelinda	\$14.38
Condon, Molly Jo	\$57.82
Dauer, Patrick	\$88.43
DeMar, Brenda	\$183.88
Desautel, Leah	\$204.57
Gavin, Bruce (Estate)	\$44.86
Gavin, Bruce (Estate)	\$72.53
Gutierrez, Martha	\$50.52
Henderson, Mary (Estate)	\$138.01
Holcomb, E. Joann	\$117.94
Ives, Christine A.	\$109.91
Jerden, Valerie & Elliott, Hans	\$105.92
Jones, Matthew James	\$126.69
Maden, Rachel	\$128.47
McCraigie, Marcus	\$22.23
Merick, Robin	\$16.95
Mesina, Luis	\$55.44
Sheeley, Geneva	\$55.69
Slemp, Sheryl	\$67.44
Todd, Jeremy	\$27.43
Wesby, Grant	\$92.03
Total	\$2,557.51

Commissioner Johnson moved to approve the transfer of accounts; Commissioner Bunch seconded; motion passed.

5. Public Comment:

In response to a call to Commissioner Johnson from Don Barnhart of Brewster Flats, Commissioner Johnson moved to direct management to develop as a bill stuffer and/or a press release a one-page explanation why rates must remain

high. In discussion, it was noted that a bill stuffer takes two months to circulate. The management agreed to prepare a press release.

Commissioner Johnson moved to direct management to develop an updated Long-Term Operating and Cash Flow Analysis highlighting the revenue raised by the 30% and 20% rate increases and the budget items that are consuming that increased revenue. Manager Warner noted that the information is included in the Five-Year Cash Flow Analysis, with power supply being a major piece. The management agreed to present the information for the Board's review at the next meeting.

Manager Warner introduced the employees invited to today's Commission meeting: Steve Luchte, Brewster area Serviceman, and Cary Pruitt, an Okanogan Mechanic.

Lorah Waters submitted questions and asked that answers be made available to the public regarding Washington State law effective January 1, 2002 that requires utilities to offer customers voluntary renewable energy purchase options (also known as 'green pricing') to support a greater level of investment by utilities in renewable energy technologies. She also submitted questions regarding PUD programs for conservation and efficiency.

Vicky Welch supports the inverted tiered rate system. She said she is pleased to learn the District is actively supporting the house bill that would allow PUDs to make loans for renewable energy. She asked about assured demand for the fiber-optics project.

Commissioner Johnson asked management to present a plan that will increase power reliability in Oroville and the Methow Valley without building a new transmission line.

Kathleen Hirschstein submitted a Request for Record Information. In addition, she asked what the reasons were for abandoning all further studies and building of the Twisp/Pateros line, and also asked for information on the number of roads and the cost for the roads. The District will respond to Ms. Hirschstein's questions in writing.

6. Tiered Rate Report:

In response to the Board's consideration of an inverted tiered rate structure, Manager Warner reviewed a 2000-2001 Residential Customer and Energy Distribution Analysis based on energy usage blocks of £1500 kWh, 1501-3000 kWh and >3000 kWh/month. The District's current residential energy rate is 4.4 cents per kWh regardless of usage. The inverted tiered structure tested was a charge of 4.1 cents for the first 1500 kWh used, 4.7 cents for the next 1500

kWh and 5.9 cents for energy usage over 3000 kWh. Approximately 62% of the residential billings over the past two years were below 1500 kWh per month, representing 28% of the total residential energy billed. The need to combine such a schedule with a seasonal rate and/or an increased base rate combined with decreased unit (kWh) rates to provide equity between permanent and temporary residents was discussed.

The Board intends to consider this further at the March 5, 2002 meeting.

7. Bond Anticipation - Resolution No. 1233:

Manager Warner presented Resolution No. 1233 declaring the District's intent to issue bonds to reimburse the District for prior expenditures. The Resolution allows the District to include capital expense items in the bond issue that are incurred within 60 days prior to bond issuance.

Commissioner Johnson moved to adopt Resolution No. 1233; Commissioner Bunch seconded; motion passed.

Commissioner Rowland joined the meeting by telephone at 10:25 a.m.

8. Contract for Bond Counsel Services:

Manager Warner distributed a letter from Nancy Neraas outlining the legal services Preston Gates & Ellis expects to provide the District as bond counsel in connection with the issuance of revenue bonds. As compensation for performing the services, the fee is \$14,120 plus .0014 of the amount of the issue between \$5,000,000 and \$10,000,000 and .0011 of the amount of the issue over \$10,000,000, plus costs. They would also charge \$5,000 for preparing the Official Statement.

Following discussion, Commissioner Johnson moved to issue a contract with Preston Gates & Ellis for bond counsel services; Commissioner Rowland seconded; motion passed.

9. Omak Office Petty Cash Fund - Resolution No. 1232:

Manager Warner presented Resolution No. 1232 authorizing two petty cash funds for use at the District's Omak branch office. The District is required to take specific action to set up petty cash funds, and there are currently established petty cash funds at the Okanogan main office and at the branch offices.

Commissioner Johnson moved to adopt Resolution No. 1232; Commissioner Rowland seconded; motion passed.

10. Fiber Report:

Rich Trimble reported that NoaNet is considering filing as a Wholesale Competitive Local Exchange Carrier (CLEC). CLEC status would give NoaNet certain rights, such as the ability to co-locate equipment in telephone company facilities and receive subsidies for services provided to schools and rural areas. It would also expose NoaNet to additional expenses and regulations.

Assistant Manager Trimble also noted that a quotation had been provided for service to Twisp subject to Board approval, but that the CERB grant approved previously would be contingent on construction of the NCTeleserve call center. The staff will continue to issue other quotations for Ethernet service based on rates discussed with the Board last September and subject to Board approval.

11. WPUDA:

Manager Warner reported there was discussion at the February 14, 2002 Managers meeting on how the PUD Association should fund an account used for either acquiring an office in Olympia or acquiring land for an office in Olympia. It was suggested that the estimated cost of \$400,000 for earnest money and a down payment be funded by a percentage of the PUD Association budget, which for Okanogan PUD is 3.25%; or that funds not be provided to the PUD Association until there is a specific proposal. With the latter proposal, the PUD Association was concerned with the turn-around-time for obtaining funds from the membership. Commissioner Johnson commented that the same question was discussed at the Association board meeting the following day, and the board decided there was no urgency now and that the decision could wait until property was located and the exact cost would be known.

12. Meetings:

Commissioner Bunch attended the State Audit Exit Conference at Okanogan PUD on February 1, 2002, and the Energy Northwest Member Forum in Richland on February 5, 2002.

Commissioner Johnson attended the State Audit Exit Conference at Okanogan PUD on February 1, 2002. He distributed highlights of the Energy Northwest Member Forum in Richland on February 5, 2002 and the WPUDA Board meeting in Olympia on February 14, 2002. He plans to attend the Harvesting Clean Energy Conference in Pasco on February 26 and 27.

The next Okanogan PUD Board meeting is scheduled for March 5, 2002.

13. Public Comment:

There was no additional public comment.

14. Executive Session - Litigation:

The Board recessed into executive session at 11:15 a.m. for 30 minutes to discuss litigation.

The Board reconvened into regular session at 11:45 a.m., and there being no further business to discuss, the meeting adjourned at 11:46 a.m.

15. Omak Office Dedication/Open House:

An opening ceremony was held at 1:30 p.m. at the new Omak office. The District dedicated the building to the memory of Roger Mills, who was fatally injured in an accident last year. The building will be used as the network center for the telecommunication equipment needed on the fiber-optic system being installed in the county and a branch office for customer payments and related customer service activities. The office will be staffed by Cindy Lynn-Bartella, Customer Service Representative; Joe Miller, Telecommunications Engineer; and C.J. Hack and Manuel Guerrero, Telecommunications Technicians.