

**Minutes of the Regular Meeting of the Okanogan County  
Public Utility District Board of Commissioners  
Held in Okanogan September 3, 2002**

**Present:**

Board:	Darrel Bunch, Donald Johnson, James Rowland
Staff:	Harlan Warner, Richard Trimble, Frederick Burke, Joy Schultz, Derek Miller, Debra Peters, Steve Brown, Joe Miller, Larry Felton, Dan Boettger, Julie Pyper
Legal Counsel:	Michael Howe, Legal Counsel (absent 9:40 a.m. - 10:15 a.m.)
Guests:	Claudia Smith, Lael Duncan & Ken Westman -Alliance 2005 Rich McBride & Jack Horne, NCESD Randall Stearns & Jon Vognild, FWEE Dave & Esther Johnson, Lorah Waters, David Womack, John L. Smith, Ed Thiele, Maeyowa, Susie Ives, Dee Camp

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. Approval of Transfer of Accounts
5. Public Comment
6. Conservation Loan Report
7. Conservation Advertising
8. Customer Billing Discussion
9. Alliance 2005 - Claudia Smith
10. ESD, FWEE, PNUCC, PPC, APPA, Northwest Hydroelectric Assoc.
11. Review Organization Memberships
12. Lorah Waters
13. NoaNet Assessment Options
14. Telecom Report
15. 2002 Revised Budget - Resolution No. 1243
16. PPC Executive Committee Nominations
17. PURMS
18. Public Comment
19. Meetings
20. Executive Session

**1. Approval of Minutes:**

Commissioner Johnson moved to approve the Minutes of the August 13, 2002 regular meeting; Commissioner Rowland seconded. Commissioner Johnson

requested the amendment of Item 6 - Review of Organization Memberships to indicate that the Board did not authorize the membership of Northwest Hydroelectric Association (Washgap) because an invoice for 2002 has not been received. The motion passed.

**2. Approval of Work Orders:**

The following work orders were submitted for approval:

02-02&04	Gary Lesamiz, Tonasket Airport Rd.	\$1,465
02-0044	Wayne Lawson, Penley Rd., Okanogan	4,442
02-0076	Tristen McCraigie, East River Rd.	1,821
02-0136	Wal-Mart Super Center	15,852
02-0137	Wal-Mart, Omak River Rd.	28,263
02-0143	District, Rodeo Trail	834
02-0387	Pat Farley, 9-Mile Ranch, Division VIII, Lot 10	3,100
02-0389	Tom Scott, Starvation Mountain Rd.	800
02-0390	Gary & Sally Peterson, Wannacut Lake	4,000
02-0391	Larry Latchford, Lyman Lake Rd.	5,000
02-0392	Jeff & Amy Lindeman, Bannon Creek Rd.	5,600
02-0393	Randy Brown, Aspen Way	4,295
02-0394	Tonasket Mennonite Church, Parry's Acreage	2,525
02-0651	Verestar, 66C Verestar Dr., Brewster (Rev. #1)	7,256
02-0664	District/Don Barth, 70 Hwy. 153, Pateros	7,009
02-0672	Sam McKee/District, 25591 Hwy. 97, Brewster	9,532
02-0673	Verestar, Verestar Dr., Brewster	1,398
	Total	\$103,192.00

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

**3. Approval of Vouchers:**

Vouchers No.'s 72893 through 72982 in the amount of \$594,019.25, No.'s 72983 through 73012 in the amount of \$175,656.42, No.'s 73013 through 73083 in the amount of \$1,077,055.78, and No.'s 73084 through 73165 in the amount of \$308,914.53 were approved for payment from the revenue fund.

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

**4. Transfer of Accounts:**

The following accounts were submitted for transfer:

\$118.86 and \$317.34 from closed accounts for Atayde Gamez #16382-4 and #16383-2 to the residential account of Atayde Gamez.

\$252.89 from the closed account for Capers #35794-7 to the residential account of Hendrika Schuck #15777-6.

\$346.13 from the closed irrigation account of Carl House #2899-3 to his residential account #15525-9.

\$367.99 from the closed wind machine account of Greg Fisher #12732-4 to his residential account #13560-8.

\$842.19 to the electrical account of Gebbers Farms Inc./Cattle #16176 for invoices #3241 and 3243.

\$1,629.00 to the electrical account of J & H Equipment c/o K. Bogucki/J. Mortenson #28811 for Jack Mortenson invoice #3212.

Attorney Howe noted that Carl House has filed bankruptcy, and collection efforts by the PUD would be in violation of the federal court stay order. Therefore, the staff indicated that the account would be transferred for write-off.

Commissioner Johnson moved to approve the account transfers; Commissioner Rowland seconded; motion passed.

#### **5. Public Comment:**

There was no public comment.

#### **6. Conservation Loan Report:**

Debra Peters presented a conservation loan history report through July 2002. Since inception of the program in 1996, the District has issued 428 loans totaling \$1,842,973.60. The sum of \$826,482.83 has been repaid on 104 loans. Seven loans totaling \$12,804.44 have been written off due to bankruptcy.

#### **7. Conservation Advertising:**

Debra Peters reviewed conservation advertising in the amount of \$2,948 proposed for the remainder of 2002. Ads are scheduled to run this week in all local papers announcing the torchiere turn-in days scheduled at the branch offices. Ads proposed for the *Chronicle*, which offers countywide coverage through the 'Bottom Line', include new customer testimonials and information on compact fluorescent lighting. The *Chronicle's* special winterizing publication would include an ad on the renewable energy program.

In addition to the renewable energy ad, Commissioner Johnson requested that all of the conservation loan ads reference the eligibility of renewables for the loan program.

For wider distribution, the Board discussed placing black and white ads in all of the local newspapers and using the District's copier to make available to businesses and branch offices colored posters with the same information.

Commissioner Johnson moved to sponsor all ads in all of the local newspapers as discussed in black and white, and to develop for bulletin boards colored posters with the same material; Commissioner Rowland seconded; motion passed.

#### **8. Customer Billing Discussion:**

The Board discussed with Pastor John L. Smith of the Calvary Baptist Church in Twisp a billing issue regarding a faulty meter. Due to the meter malfunction, the church has a calculated arrearage through 1997 of \$10,941.76. In 1997 the church school was closed and when the use went down and the PUD staff did not hear the billings were incorrect, it was thought that the church was not being used at the time. The church claims the problem is a result of the PUD's equipment going bad and incorrect conclusions by PUD personnel regarding the church being shut down. The PUD originally proposed the 2000, 2001 and first five months of 2002 amounts (\$6,219.14) be paid. The church proposed to share the responsibility with the PUD by paying half of that amount. Attorney Howe advised that the District is obligated to consider the entire period of time since the statute of limitations in this instance is six years. The church would like to establish an accurate usage from April 2002 (the date the new meter was installed) to April 2003, and then beginning April 2003 pay back what would be fair to both parties. Derek Miller noted that historical averages could be more accurate due to weather effects during the test year. If 1995/1996 average usage is used, the church would have been paying a monthly amount of \$303. Attorney Howe advised that under the Constitution, public boards cannot make a gift of money, property or services. A court would find that such a gift cannot be made, but could determine some finding of negligence and reduce the amount owed.

Commissioner Rowland moved to assess payment based on historical averages and then adjust, with a starting payment of \$303/month added to their next monthly billing. The PUD would average the one-year benchmark period of new usage and the 1995/1996 average usage to determine the total adjustment. The total dollar adjustment would be shared equally between the PUD and the church. Once the final adjustment has been established, the PUD and the church will mutually determine a satisfactory payment period. The PUD will draft a letter outlining the terms and conditions of the settlement for signature

by the appropriate church officials. Commissioner Johnson seconded; motion passed.

**9. Alliance 2005 - Claudia Smith:**

The Executive Director Claudia Smith, Board Chair Lael Duncan, and Board member Ken Westman gave an update on Alliance 2005. They discussed the importance of the PUD's membership of \$2,500 per year for five years to maintain and secure the potential funding of several projects important to communities in Okanogan County. They also strongly supported the effort of the PUD to provide a fiber-optic communication system for Okanogan County, which they felt was critical to attracting new industry and creating new jobs.

**10. ESD, FWEE, PNUCC, PPC, APPA, Northwest Hydroelectric Association:**

To assist in the Board's review of District organization memberships, the North Central Educational Service District's Superintendent, Rich McBride, and Science Coordinator, Jack Horne, addressed the Board. Mr. Horne reviewed the educational programs provided to school districts through the partnership between the ESD and the Okanogan, Chelan, Douglas and Grant PUDs. The programs' primary direction is to have students understand electrical energy uses and issues with which to make informed decisions. Each year over 3000 students participate in the programs.

Randy Stearns and Jon Vognild of the Foundation for Water and Energy Education ([www.fwee.org](http://www.fwee.org)) discussed FWEE's commitment to providing balanced hydropower information and the value of its membership. FWEE offers The Nature of Water Power as a hands-on science curriculum for students. In addition, FWEE sponsored a high school essay contest this year on how the Northwest will meet future demands for electricity. Ashley Armstrong of Pateros was a scholarship recipient. Okanogan PUD was a founding member of FWEE in 1993.

Manager Warner reported on the District's membership in Pacific Northwest Utilities Conference Committee (PNUCC). PNUCC is the only forum that coordinates and works with all BPA customer groups, the Regional Power Council and BPA for uniform interest. PNUCC provides a monthly report on the activities of the Power Planning Council.

The Public Power Council (PPC) represents the Northwest's public utilities on issues including BPA expenditures and rates, fish enhancement, regional Power Council activities, and federal legislation. PPC has earned a reputation of being extremely knowledgeable and unbiased on issues, and all but 10 of the 110 public utilities in the Northwest belong to PPC.

The American Public Power Association (APPA) is headquartered in Washington, D.C., and focuses on national legislation that impacts public power.

The Northwest Hydroelectric Association coordinates efforts of utilities that own hydroelectric facilities and is active in licensing and legislative issues.

#### **11. Review Organization Memberships:**

Due to the large commitment to a public agency by the PUD ratepayers, Commissioner Johnson moved to discontinue the \$45,000 payment to the ESD. Commissioner Rowland felt the educational program was providing a valuable tool not provided in the schools, and Commissioner Bunch felt that a certain percentage could be tied back to kids and schools for conservation. There was no second on the motion. Commissioner Rowland moved to participate in the ESD this year; Commissioner Bunch seconded; Commissioner Johnson opposed; motion passed.

Commissioner Johnson moved to discontinue support of FWEE (\$2,000/year); motion not seconded. Commissioner Rowland moved to participate in FWEE; Commissioner Bunch seconded; Commissioner Johnson opposed; motion passed.

The Washington Agriculture & Forestry Education Foundation membership (\$500/year) provides education on the natural resource activities associated with the business sector. Commissioner Johnson moved to discontinue support of the Ag & Forestry Foundation; Commissioner Rowland seconded; motion passed.

Commissioner Rowland moved to discontinue membership in PNUCC (\$3,000/year); Commissioner Johnson seconded; motion passed.

Commissioner Rowland moved to participate in PPC (\$19,000/year); Commissioner Bunch seconded. Commissioner Johnson opposed as he felt PPC was a duplication of services. The motion passed.

Commissioner Rowland moved to not participate in APPA (\$11,000/year); Commissioner Johnson seconded; motion passed.

Commissioner Johnson moved to discontinue membership of Northwest Hydroelectric Association. (\$2,500/year); Commissioner Rowland seconded; motion passed. Larry Felton advised that it would be important to belong to the National Hydroelectric Association when the District restarts the Enloe licensing process.

Commissioner Rowland moved to commit \$2,500 of telecom funds for one year to Alliance 2005; Commissioner Johnson seconded; motion passed.

## **12. Lorah Waters:**

Lorah Waters, Outreach Coordinator for the Renewable Energy Access Project, gave a progress report. Ms. Waters noted that various parties have expressed interest in producing renewable power. Funding proposals have been submitted to the Bonneville Environmental Foundation (BEF) and the Bullitt Foundation to seek funding for a portion of the solar hardware, with the balance to be financed through the PUD loan program. She noted BEF is waiting to engage the support of the PUD and BPA, and is not interested in making a large investment now, but would purchase green tags from the project. BPA is prepared to pay the PUD 10 cents kWh on a green tag program. Ms. Waters requested funding to proceed with the next phase, previously estimated at \$42,400 for the PUD. There was discussion on adding solar rebates to the C&RD program.

Commissioner Johnson moved to fund the second phase of the project to a maximum of \$30,000, and to instruct the Manager to bring back a proposal to identify costs. The project would include a 2 KW panel installed next spring on the Okanogan PUD building and a 2 KW panel installed next summer on a public facility of the PUD's choice. The public facility project will be monitored by the PUD and the cost fronted by the PUD, but the customer would have the option of investing in the project. The REAP coordinator will work with the PUD staff on the projects. Commissioner Rowland seconded; motion passed.

The Board recessed for lunch from 12:45 p.m. to 1:30 p.m.

## **13. NoaNet Assessment Options:**

Rich Trimble noted that last year, NoaNet had projected a deficit budget through 2004. This year the membership of NoaNet assessed themselves for that deficit about \$2 million (our portion was \$108,000). Next year's deficit is expected to be between \$1.8 and \$1.2 million. NoaNet will be deciding whether to continue the assessment process initiated last year, issue debt and/or reduce budget.

The PUD Board indicated they want to see reductions in both operations and maintenance and capital expenditures that still keep NoaNet operating. They intend to make an assessment and membership decision based on specific numbers and the impact to operations and maintenance, reliability and future revenues. The Commissioners did not support a continuation of the existing assessment process. Mr. Trimble noted that the PUD's assistance from NoaNet with regard to marketing and Verestar could be affected with budget reductions.

## **14. Telecom Report:**

Joe Miller reported that the accounting department has the telecom billing software working, and has begun billing for telecom. Payment has been received for the first two Qwest circuits (Omak and Pateros) being transported on our network. The District will be turning up another circuit for Qwest in Oroville this fall.

Mr. Miller noted that the PUD fulfilled a commitment to the Brewster School District to have them connected to fiber by the start of school this year. The North Central ESD is providing Internet access to the school over the PUD's fiber.

Andy Metcalfe and Jenny Rickel with Northwest Telephone addressed the Board. They are interested in using the PUD's fiber-optic system to deploy wireless Internet and competitive telephone services in Okanogan County.

Rich Trimble noted that NCTeleserve has lowered its estimate for jobs created initially at their Twisp Call Center, but expects to reach its goal of 100+ jobs within three years. The District will be providing this revised information to the CERB program.

#### **15. 2002 Revised Budget - Resolution No. 1243:**

Fred Burke presented a budget status report, and Resolution No. 1243 revising and supplementing the 2002 budget. Cash receipts were revised downward from \$40,540,000 to \$40,125,000. Total expenditures also decreased from \$39,799,000 to \$38,370,000. Although higher surplus sales were realized, there were lower retail sales. Our bond issue was for a lesser amount than originally anticipated and the terms were changed to defer principal payments. Irrigation deposits were increased. Some positions originally budgeted were not filled. There was less testing at the Ophir diesel site than originally anticipated. Purchased power costs were slightly higher than anticipated. The Methow transmission line EIS was budgeted but not initiated. Certain fiber optic costs were deferred. Line trucks were purchased, but other facilities expenses were deferred. The District expects to spend about \$1 million less than what was anticipated when the 2002 budget was passed. A positive variance was revised from \$741,000 to \$1,755,000. If the District hadn't borrowed \$7 million in May, it would be looking at a deficit of about \$5 million instead of a year-end surplus.

The 2003 proposed budget will be presented at the September 24, 2002 meeting. A budget work session has been scheduled for a PUD meeting on October 1, 2002. The Board is scheduled to adopt the 2003 final budget on October 22, 2002.

Commissioner Rowland moved to adopt Resolution No. 1243; Commissioner Johnson seconded; motion passed.

**16. PPC Executive Committee Nominations:**

Manager Warner reported that he received an announcement from the Public Power Council that each member utility may nominate a candidate for the PPC Executive Committee. All Executive Committee seats are up for election.

The Board declined to submit a nomination to PPC.

**17. PURMS:**

Fred Burke noted our self-insurance fund PURMS (Public Utility Risk Management Services) is dealing with three claims for failure of landfill gas generators that will result in \$750,000 of deductible charges. The fund is considering methods for recovering costs from the manufacturer.

**18. Public Comment:**

There was no public comment.

**19. Meetings:**

The next Okanogan PUD Board meeting is scheduled for September 24, 2002.

**20. Executive Session:**

The Board recessed into executive session at 3:45 p.m. to discuss personnel and disposal of real estate. The Board reconvened into regular session at 4:15 p.m. and took no action.

There being no further business to discuss, the meeting adjourned at 4:15 p.m.

Darrel E. Bunch, President

Donald W. Johnson, Vice-President

James G. Rowland, Secretary