

**Minutes of the Regular Meeting of the Okanogan County
Public Utility District Board of Commissioners
Held in Okanogan November 5, 2002**

Present:

Board: Darrel Bunch, Donald Johnson, James Rowland

Staff: Harlan Warner, Richard Trimble, Don Coppock, Derek Miller, Joy Schultz, Joe Miller, Jerry Day, Debra Peters, Steve Brown, Marla Thompson, Gary Nelson, Julie Pyper

Other: Michael Howe, Legal Counsel

Public: David Womack, John Andrist, Ken Millner, Kurt Danison, Tina DeLap, Lew Blakeney, Terry Larson, Maeyowa, Lorah Waters, Susie Ives

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. Avenir Proposal - Jerry Day
7. NCTeleserve Twisp Fiber Build
8. 2003 Final Budget
9. Sale of Diesel Generators
10. NCI Datacom Proposal - John Andrist & Ken Millner
11. Project Help - Resolution No. 1246
12. NoaNet
13. Bid Award
14. Omak Chamber Award
15. Meetings
16. Public Comment
17. Executive Session - Property Purchase & Personnel

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the October 22, 2002 regular meeting; Commissioner Rowland seconded. Commissioner Johnson submitted revisions, which were revised and approved as follows:

Paragraph 8 - 2003 Final Budget:

- The marked to market fee would be *none or reduced if the interest rate increased.*
- *It was agreed that the PUD would pursue 15-year financing. That will result in no rate increase in 2003 and 3% increases in subsequent years or less if the*

diesel generators are sold, the economy improves and/or the sale of surplus power increases.

· (Re: software) \$85,000 budgeted for planned software expenses ... might be applied to the 2003 payment.

Paragraph 9 - Project Help Administration:

· Add Glenn Schmekel's name.

· Add that the Methow Valley residents can utilize the assistance with the application process from The Cove in Twisp.

The motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

02-02&3	Pete Kinbreil, Penny Lane	\$1,896
02-0170	District, Central Ave., Omak	691
02-0171	District/Randy Houston, 2215 Elmway, Okanogan	672
02-0173	Gerald Fry, 7th St., Omak	2,371
02-0178	Kenneth Edwards, Eastside River Rd., Omak	2,060
02-0182	Kruse Electric, 110 Keystone Rd., Riverside	798
02-0395	Mark & Glenda Clark, Lot 1162 - Okanogan River Ranches	13,350
02-0407	District, Janis Rd.	1,500
02-0411	Oroville School Dist., High School Football Field	550
02-0412	District, Fletcher Mtn.	6,850
02-0413	Cindy Lee Springstead, Nine Mile Ranch Rd.	4,510
02-0414	Janice Hawkins, 221 O'Neil Rd.	3,047
02-0416	Richard Rawley, Frontage Rd., Tonasket	2,675
02-0417	District, Hwy. 97 - .5 mi. S. of Oroville	1,100
02-0418	District, Oroville-Nighthawk Rd.	4,400
02-0419	District, Tonasket, Substation	6,151
02-0420	Wallace Lindberg, J.H. Green Rd., Lot 78-Davis Lk Subdiv.	2,192
02-0424	Reed Engle, Mt. Hull	9,050
02-0681	District, French Creek/Burma Rd.	3,857
02-0686	District/Garcia, 131 Valley Rd., Brewster	532
02-0687	Deborah Makepeace, Benson Crk. Rd., Twisp	1,865
02-0688	Bill Bates, Alder Rd. Twisp	11,950
02-0689	District, King Rock Rd., Brewster	896
02-0691	Dwight Rudolph, 513 Wakefield/Cameron Rd., Monse	1,316
02-0692	District, 27057 Hwy. 97	506
02-0696	District, Glover St., Twisp	532
	Total	\$85,317.00

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

3. Approval of Vouchers:

Vouchers No.'s 73853 through 73918 in the amount of \$1,418,385.63, No.'s 73919 through 73947 in the amount of \$161,206.16, and No.'s 73948 through 73999 in the amount of \$287,500.01 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 write-off/collection due to nonpayment:

Cate, Henry G.	\$341.80
Cate, Kenneth E.	31.94
Cohen, Edward	17.08
Crandall, Chad & Hodgins, Amy	334.61
Farrar, Jesse	260.04
Fraley, Shawn	252.71
George, Marie	104.75
Gildroy, Kirk E.	430.84
Gomez, Jesus M.	331.56
Gray, Amy	160.20
Hamner, Dorothy	263.08
Hazelrigg, Cynthia A.	151.59
Hoops, Mary & Stops, Lucy	157.30
McDaniel, Pat	595.43
McDaniel, Pat	101.93
McDougall, Dave	23.17
Starkenburg, Ken	56.56
Sweet, Amanda S.	50.01
Theis, Shelly	86.86
True, Darrell	123.82
Zumwalt, Cheryl & Shawn	200.58
Total	\$4,075.86

Erickson Electric Invoice #3220 in the amount of \$70.43 was submitted for transfer to Account #36791-2 of Wade L. and Zuma Erickson.

Commissioner Johnson moved to approve the write-offs and account transfers; Commissioner Rowland seconded; motion passed.

5. Public Comment:

Manager Warner introduced the employee guests: Marla Thompson, Customer Service Representative in Okanogan, and Gary Nelson, Serviceman out of the Oroville office. Mr. Nelson will retire at the end of the month and was honored for 30 years of service to the District.

6. Avenir Proposal - Jerry Day:

Jerry Day presented additional information on Avenir Systems "Joint Application Development" software. Avenir's proposal would upgrade the District's customer information, financial and work management software at a substantial discount in return for participating in the development of their new

software. For a smooth conversion, Avenir would customize Okanogan's system in-house when the design is 70% complete. The total cost of \$300,000 can be paid over the next three years, with \$130,000 paid in 2003. Avenir is offering a money-back guarantee if we are not satisfied with the product. In addition to replacing obsolete software and improving our efficiency, \$85,000 of expenditures planned for 2003 would be avoided.

With the due diligence of Avenir being a key issue, Commissioner Rowland moved to include an additional \$45,000 in the 2003 budget for a new software system and delete from the budget the corresponding items that will not be needed; Commissioner Johnson seconded; motion passed.

7. NCTeleserve Twisp Fiber Build:

Rich Trimble reported that Methow Online recently inquired about the possibility of taking CenturyTel's place in our CERB agreement, which the CERB staff indicated should be acceptable. Methow Online was advised that our 2003 budget had been prepared and did not include a line item for the fiber optic build to Twisp. It was suggested they cover our remaining costs of approximately \$200,000 in addition to committing to the two OC3's. Methow Online recently provided us a contract for two OC3's to serve NCTeleserve in Twisp, but offered no other consideration. Revenue from two OC3's would cover our debt service for the fiber build to Twisp, but it would also add another \$200,000 in capital costs to the 2003 budget. Methow Online would provide \$120,000 to extend PUD-owned fiber optics into Twisp and annual payment to the PUD of \$52,000. Joe Miller noted that although the \$200,000 is not included in the budget, the telecom portion of the budget has been reduced by \$100,000.

It is anticipated that District crews would begin construction next spring. Commissioner Rowland asked for assurance that the \$200,000 would not directly affect the electric rates and cash flow analysis regarding the \$8 million reserves. Commissioner Johnson suggested the term of the contract with Methow Online extend beyond three years because it would take ten years to write off the expense and the ratepayers might feel better with a longer contract.

The Board agreed to add \$200,000 to the 2003 budget for constructing the \$1.0 million fiber optic extension to Twisp and providing wholesale telecommunications service to Methow Online. This addition to the budget is subject to final contract negotiation with Methow Online through Terry Larson, the Director of New Business Development for North Cascades Networking.

8. 2003 Final Budget:

As requested by the Board, staff provided additional information regarding the telecommunications and conservation budgets and electric revenues. The staff noted the structure of our software precludes a thorough separation of the electric and telecom budgets, but significant work has been done to properly

account for telecom budgets and there will be an ongoing review and monitoring of costs charged to the two systems. It is anticipated that it will take about ten years for telecom revenues to cover expenses and debt service. The staff recommended decreasing the 2003 budget by \$100,000 to reduce new fiber connections from 30 to 15 in 2003. In addition to that pilot project, the staff will plan to enhance delivery of electrical power by use of the fiber network as originally intended. The staff also discussed the \$1.0 million conservation budget, noting that a significant portion of these funds is paid back through reimbursements from BPA and conservation loan repayments.

Commissioner Johnson moved to continue discussions on the final budget until the next meeting; Commissioner Rowland seconded; motion passed.

9. Sale of Diesel Generators:

Depending on the opinion of legal counsel, Rich Trimble said the District could consider declaring the diesel generators surplus in order to proceed with the bid, or wait until the bid process is complete. If there is authorization to proceed, Mr. Trimble said he anticipates a bid opening date of February 2003. Attorney Howe noted that the District can wait to have the bids in hand before declaring obsolete property surplus. The Board must then adopt a Resolution prior to the sale. This process could move more quickly in the event of an emergency.

The Board approved soliciting bids for the sale of the diesel generators. Commissioner Johnson moved to authorize the expedition of the sale of the diesel generators through bid announcement; Commissioner Rowland seconded; motion passed.

10. NCI Datacom Proposal - John Andrist & Ken Millner:

John Andrist and Ken Millner presented a proposal for NCI Datacom to perform an external study of the District's fiber network to identify costs and expected revenues. In addition, they want to outline alternatives for the present assets and recommend a process to achieve the greatest value to the ratepayers. Their recommendations include a separate, detailed accounting for telecom; no new capital expenditures until the study is complete; a statutory review; and an external audit. The \$50,000 study is expected to take three to four months to complete.

The Board requested a staff presentation on a business plan. The presentation shall also include whether we need an external review and, if so, how it should be done.

11. Project Help - Resolution No. 1246:

Manager Warner presented Resolution No. 1246, which implements the changes in the "Project Help" program as approved at the last meeting.

Commissioner Johnson moved to adopt Resolution No. 1246; Commissioner Rowland seconded; motion passed.

12. NoaNet:

Rich Trimble announced that his last NoaNet board meeting is November 6, 2002. To fill his vacancy, the staff has proposed the designation of Harlan Warner as primary representative for Okanogan PUD to NoaNet and Joe Miller as alternate representative.

The Commissioners approved Warner and Miller as the District's NoaNet representatives. Because the nominations do not include any Commissioners, Commissioner Johnson asked that Mr. Trimble note at the meeting his preference for the NoaNet board to also include elected officials.

13. Bid Award:

Derek Miller reported that he has completed evaluation of the bids received for two power transformers, and recommends awarding Bid No. 303-02 to Virginia Transformer for the lowest total evaluated cost of \$169,500 each (total bid award of \$339,000). The engineering estimate was \$210,000 each. He noted that one of the transformers was budgeted for 2003 for the District's use, and the other is for the CIPV mill and is reimbursable.

Commissioner Rowland moved to approve the award of Bid No. 303-02 to Virginia Transformer for \$339,000; Commissioner Johnson seconded; motion passed.

14. Omak Chamber Award:

Manager Warner announced that the Omak Chamber of Commerce named Okanogan PUD employees Citizens of the Year along with Charter Communications and Qwest for their service to the community.

15. Meetings:

The next Okanogan PUD Board meeting is scheduled for November 19, 2002.

Manager Warner, Assistant Manager Trimble and Commissioners Bunch and Rowland will attend the Washington PUD Association annual meeting in Seattle December 5-6, 2002.

16. Public Comment:

There was no public comment.

The Board recessed for lunch from 12:45 p.m. to 1:25 p.m.

17. Executive Session - Property Purchase & Personnel:

The Board recessed into executive session at 1:25 p.m. to discuss property purchase and personnel. The Board reconvened into regular session at 2:20 p.m.

Commissioner Rowland moved to adopt Resolution No. 1247 appointing Don Coppock as Auditor effective November 5, 2002; Commissioner Johnson seconded; motion passed.

Commissioner Rowland moved to remove Don Coppock as Deputy Treasurer and appoint Fred Burke to the position of Deputy Treasurer; Commissioner Johnson seconded; motion passed.

There being no further business to discuss, the meeting adjourned at 2:21 p.m.

Darrel E. Bunch, President

ATTEST:

Donald W. Johnson, Vice-President

James G. Rowland, Secretary