

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

Present:

Board: Darrel Bunch, Donald Johnson

Staff: Harlan Warner, Richard Trimble, Derek Miller, Janet Crossland,
Joe Miller, Debra Peters, Steve Brown, Dan Boettger, Ric
Haywood, Julie Pyper

Other: Michael Howe, Legal Counsel
Alan Dashen via conference call

Public: Susie Ives, David Womack, Paul Inlow, Roy Webster, Terry Larson,
Frank, Dave & Esther Johnson, Mayeowa, Kathleen Hirschstein,
Teresa Allen, Vicky Welch, John Andrist

President Bunch called the meeting to order at 8:55 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. C&RD Program
7. 2003 Budget
8. Telecom Report
9. Audit Exit Conference
10. Public Comment
11. Meetings

1. Approval of Minutes:

Commissioner Johnson moved to approve the Minutes of the November 5, 2002 regular meeting; Commissioner Bunch seconded. Commissioner Johnson requested the following additions:

Paragraph 6 - Avenir Proposal: ... *with \$130,000 paid in 2003.*

Paragraph 8 - 2003 Final Budget: *In addition to that pilot project, staff will plan to enhance delivery of electrical power by use of the fiber network as originally intended.*

The motion passed.

2. Approval of Work Orders:

The following work orders were submitted for approval:

01-0065	Virgil Gunn, Eastside-Riverside Rd.	\$1,826
01-0097	Jess Botello, Green Lake Rd. (Rev. #1)	1,516

02-02&3	Kathryn King, Lot 1051, Okanogan River Ranches	1,200
02-0042	Walter Pumm, 1504 Old Hwy. 97, Malott	516
02-0147	Doc Elsea, Orchard Grade, Okanogan	8,063
02-0174	John Hammer, 537 3rd St., Okanogan	1,196
02-0183	District, Hwy. 97 N. of Omak	17,532
02-0187	District, 17 S. Main St., Omak	1,795
02-0188	Terry Crim, Old Hwy. 97	5,342
02-0190	Henry Mulloy, 1572 Conconully Rd.	1,333
02-0191	Colville Indian Power & Veneer, Omak	1,441
02-0192	George Dickinson, 141 Nichols Rd., Omak	2,043
02-0193	District, 73 Epley Rd., Omak	1,618
02-0194	Steve McNeese, Johnson Creek Rd., Omak	4,531
02-0196	Kathy Boesel, 48 Duck Lake Rd., Omak	1,837
02-0197	Dick Cate, Rodeo Trail Rd.	888
02-0198	Ed Chenevert, 5 Main St., Omak	1,948
02-0423	Virgil Newton, Columbia Dr., Loomis	1,165
02-0428	District, Allemandi Fields	1,400
02-0429	Leland Brandt, Aeneas Valley Rd.	2,150
02-0430	Allen & Eve McIlhenny, Wannacut Lake	3,400
02-0431	District, Oro-Toroda Rd.	1,600
02-0432	Paul Inlow, Spectacle Lake	3,144
02-0695	City of Brewster-Waste Water Treatment Plant, 604 Ansel Ave.	15,385
02-0697	District, 235 Twisp-River Rd.	1,027
02-0698	John Quisenberry, 210 Gold Creek Loop Rd., Carlton	1,044
02-0699	Methow Valley Brewing, 201 Methow Valley Hwy. N., Twisp	3,802
02-0700	District, 2860 Hwy. 153, Twisp	875
02-0703	Hydro Solutions Associates, Alder Mine Rd., Twisp	706
02-0704	District, Benson Creek Rd., Twisp	547
02-0707	Hegla Amdal, 302 Twisp-Carlton Rd.	1,104
02-0708	District, Brewster Pole Yard	4,054
	Total	\$96,028.00

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

3. Approval of Vouchers:

Vouchers No.'s 74000 through 74090 in the amount of \$84,942.96, No.'s 74091 through 74120 in the amount of \$166,525.54, and No.'s 74121 through 74232 in the amount of \$718,299.55 were approved for payment from the revenue fund. Commissioner Johnson moved to approve the vouchers; Commissioner Bunch seconded; motion passed.

4. Transfer of Accounts:

There were no accounts submitted for write-off/collection or transfer.

5. Public Comment:

Manager Warner introduced the employee guests: Ric Haywood, Line Crew Foreman from Brewster, and Joe Miller, Telecom Manager.

Paul Inlow expressed concern with the electrical rates. He budgeted \$2,600 for actual irrigation pump charges of \$4,900. Because he receives his irrigation billing the first part of April but doesn't start his pumps until May, he suggested better coordination with farmers to help them budget for power bills. Mr. Inlow's concerns were addressed, and Commissioner Johnson noted that he wants to look into time of day use rates for next year.

Roy Webster asked if there were any energy savings programs for irrigators to improve their irrigation distribution systems. Debra Peters said she is looking into a program under the C&RD. Mr. Webster noted that it took 45 minutes for him to get through to the call center during the recent power outage in Omak, and he asked if there was another way to obtain information such as the website.

Kathleen Hirschstein commented that the irrigation prices are going up because of the diesel generators.

Maeyowa encouraged people in the county to participate in the PUD meetings.

Esther Johnson noted that the generators were purchased because of the power shortage concern.

6. C&RD Program Review:

Debra Peters and Steve Brown reported that BPA has revised the installation and specification requirements on heat pump standards, and they are concerned with meeting the new requirements. A summary of the specification changes effective October 1, 2002 was distributed for the Board's review. The conservation staff has proposed to eliminate the \$500 rebate, but continue to make available conservation loans for the installation of qualifying heat pumps.

Commissioner Johnson moved to accept the staff recommendation for eliminating heat pump rebates on any applications received after November 19, 2002; Commissioner Bunch seconded; motion passed.

The staff discussed a proposed lighting retrofit project for Prince's Grocery in Oroville. The cost of the project to the customer is \$100,000. The current level of the Conservation and Renewables Discount (C&RD) program offers the customer 50% of the maximum C&RD allowable, which for this project would be \$90,000. The staff asked for Board approval because the incentive payment would be significantly more than the District has paid in the past for similar projects. The Board felt that lighting retrofit rebates should be capped at \$25,000 to allow funding for more applicants to participate in the program.

Commissioner Johnson moved to authorize for the C&RD lighting program 50% of what the credit allows up to a maximum PUD conservation incentive payment of \$25,000; Commissioner Bunch seconded; motion passed.

7. 2003 Budget:

After consulting with bond counsel regarding tax regulations, Financial Advisor Alan Dashen advised that in order to refinance the \$10 million bank loan for the diesel generators, a significant amount would have to be at taxable rates (about 1-1/2% higher than tax exempt rates). He estimates that \$7,885,000 would be taxable and \$2,485,000 would be at tax-exempt rates, for a total bond issue of \$10.37 million. The refinancing would allow the District to avoid a rate increase in 2003, while maintaining an \$8 million reserve and good debt service coverage. However, in 2006-2009 the District would erode its cash position unless rates are raised. Mr. Dashen expects a bond issue would occur in late January or early February 2003, with closing by March 1st. The bond rating previously acquired still stands, but the District would need to apply for a new rating. To allow the District the discretion to make the loan callable at any time and for any amount will increase interest rates approximately a quarter percent.

The staff will incorporate the financing schedule into the final budget for Board approval at the next meeting.

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

8. Telecom Report:

Rich Trimble presented a telecom system financial analysis of the Twisp extension showing that at 10% growth, positive cash flow would occur about 2011 with all debt being paid by 2017. A similar analysis for the entire telecom system shows positive cash flow about 2012 and all debt being paid by 2021.

Joe Miller noted that the circuit for K20 will be completed this week or next. Discussion ensued regarding the District's position with future demand for telecommunications. The staff will be addressing the development of provisions for a telecom policy.

At the last meeting, the Board approved a fiber-optic extension to Twisp subject to final contract negotiation with Methow Online. Methow Online has offered a firm five-year contract for one OC3 (155 megabits per second) at \$2,177 per month and a conditional five-year contract for a second OC3. Methow Online has proposed to decrease the second OC3 by an amount equal to capacity taken by other customers until the second OC3 bandwidth is sold.

Commissioner Johnson moved to accept the terms offered in the contract with Methow Online, which will be modified to reflect today's discussion; Commissioner Bunch seconded; motion passed.

Mr. Trimble also noted that the 2003 NoaNet budget of \$9.9 million passed with a shortfall in operations of \$1.6 million. This shortfall requires a \$1.6 million

assessment of the members, with Okanogan PUD's portion being \$89,000. The NoaNet objective is to avoid assessments entirely in 2004.

Derek Miller informed the Board that the price for fiber has dropped dramatically since last year when the District authorized the purchase of fiber-optic cable for the Loup Loup. The supplier has been willing to hold the price, however, Mr. Miller would like to re-bid based on need and the probability of lower cost.

The Board approved re-bidding the fiber cable. The staff will return with the bid results for Board action.

9. Audit Exit Conference:

Manager Warner noted that the State Auditor's Office has completed the audit of the District for 2001. An audit exit conference is scheduled for November 25, 2002 at 11:00 a.m.

Commissioners Johnson and Bunch will attend separate conference presentations.

10. Public Comment:

There was no additional public comment.

11. Meetings:

Commissioner Johnson reported on proceedings of interest from the Washington PUD Association meetings he attended on November 14-15, 2002 in SeaTac.

Commissioner Bunch attended a legislative meeting with PUD commissioners and managers from Stevens, Ferry, Okanogan and Pend Oreille counties on November 8, 2002 in Colville.

The next Okanogan PUD Board meeting is scheduled for December 10, 2002. Additional meetings were scheduled for January 14 and January 28, 2003.

There being no further business to discuss, the meeting adjourned at 11:38 a.m.

Darrel E. Bunch, President

ATTEST:

Donald W. Johnson, Vice-President

James G. Rowland, Secretary