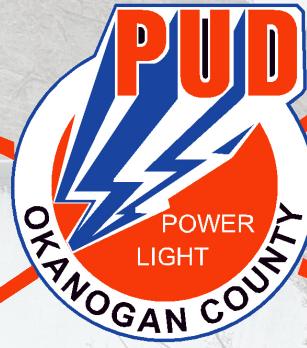


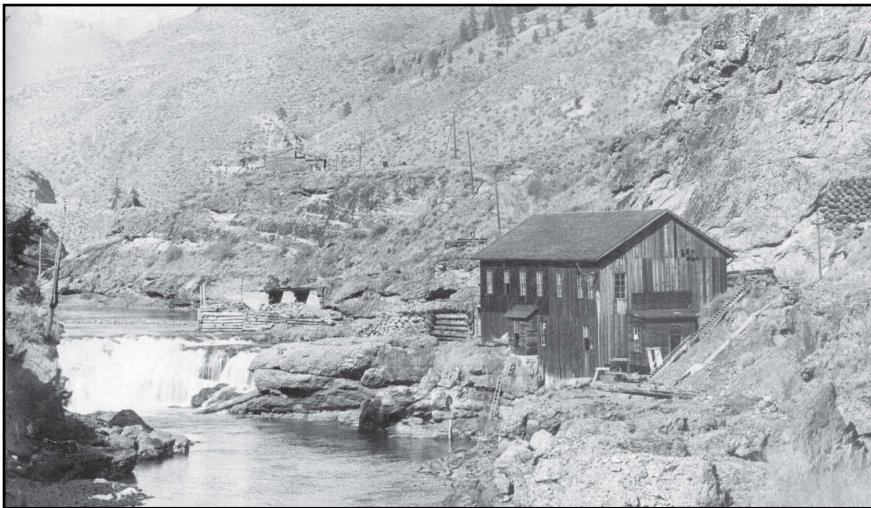
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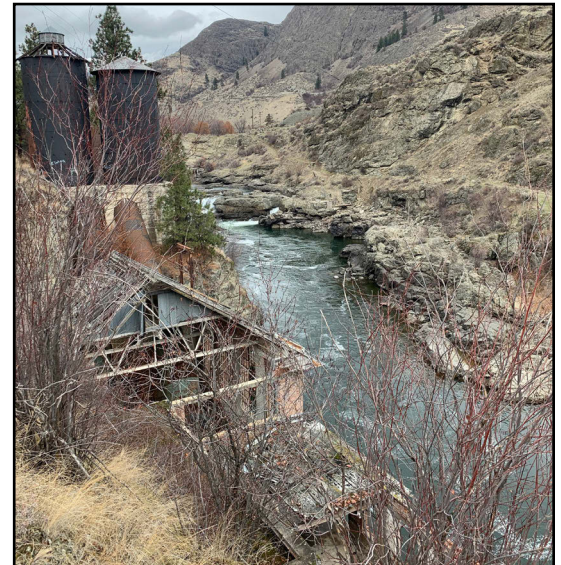
Annual Report

PUD No. 1 of Okanogan County

February 2019



Left: (Photo courtesy of Okanogan County Historical Society) Wooden crib dam (now site of Enloe Dam) and old powerhouse in the 1910s. Below: The current powerhouse down river from the dam.



Enloe Dam will not be electrified

Commissioners vote, other options to be explored

OKANOGAN - At its monthly meeting on Monday, Nov. 19, the Board of Commissioners of the Okanogan County PUD decided not to re-energize the existing non-powered Enloe Dam located in Okanogan County.

The District received a guaranteed maximum price to electrify the dam from design-build firm Max

J. Kuney (Spokane) for \$70.4 million, more than twice initial estimates. In light of the cost impact to rate-payers, District staff recommended that the Board no longer pursue electrification of the dam.

In 2005, the District began a process to investigate the feasibility of re-energizing the dam by submitting an application for a preliminary permit to the Federal Energy Regulatory Commission (FERC). During the 13 years since, the District received a license from FERC, engaged in litigation to defend

Continued on Page 3

Building our future

2019 budget includes projects to improve infrastructure

The 2019 Okanogan PUD budget calls for \$55.7 million in revenue, \$49.6 million in expenditures, and \$3.7 million in debt service.

The budget also includes additional borrowing to cover the \$19.6 million in capital projects. Because of the additional debt service this will incur, the PUD is going to pursue a 1.5 percent revenue increase.

The projects

The PUD has several system upgrades that will create better service and reliability for large areas of the county. A few highlights:

The Brewster to Okanogan transmission line is 65 years old (industry average is 53), and needs to be upgraded to allow more power from Wells Dam to feed the system. According to Construction Design Manager Allen Allie, the wire size is a limiting factor and needs replacement. The line is one of the major feeds into our county system, and will cost about \$4.1 million this year.

The Tonasket substation and transmission line also needs work. The transformer at the substation

provides power to Tonasket, including the hospital. It is one of the heaviest loaded transformers on the system. The substation will be expanded to include a second transformer, both for reliability and for additional load growth as needed. The total project of rebuilding the substation and some of the associated transmission lines will be about \$3.3 million this year.

Allie also said that the District is replacing power transformers. They are regularly tested to see if they are still effective, and some are getting near the end of their lifespan. The industry average age is 36 years – the District has nine that are 40-plus years old, three of which are 70 years old. Each of these cost between \$350,000-\$700,000, and the District is both needing replacements now, and looking ahead to be prepared as more need replacement.

Other projects throughout the county will include replacing direct-buried underground conductor with conductor placed in conduits, many of which are 30-40 years old. The District has several lines that have faulted and need replaced, so these upgrades will improve reliability and make repairs easier in the future.

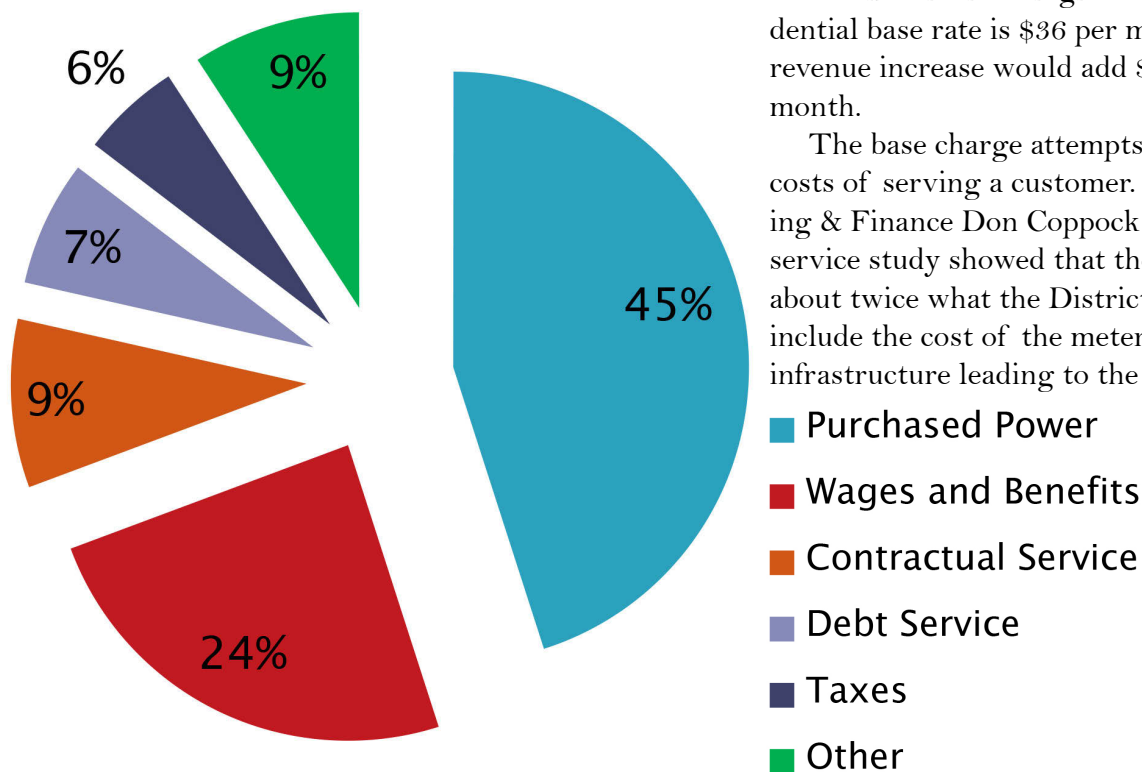
The rates

The board decided to pursue a revenue increase on base charges because the amount won't fluctuate month-to-month, thereby helping those in tight situations who have high usage. The current residential base rate is \$36 per month, and the proposed revenue increase would add \$2.81 to that total each month.

The base charge attempts to recover the fixed costs of serving a customer. Director of Accounting & Finance Don Coppock said the last cost-of-service study showed that the actual fixed cost is about twice what the District charges. Fixed costs include the cost of the meter itself and all the infrastructure leading to the meter, which has to be maintained no matter how long the meter might be inactive.

The board will have to approve an additional resolution before any rate changes can become effective.

2019 Expenditures



Enloe Dam

Continued from Page 1

its license and its pursuit of the project, and contracted with Kuney to produce engineering designs and begin the environmental permitting process. Throughout this process, the District has continued to evaluate the merits and economics of pursuing electrification of the dam.

The Board further noted that the \$70.4 million price does not include tax or District costs during construction, which raise the total estimate to \$87.4 million. Additional costs could be encountered to address unforeseen matters such as environmental mitigation, archaeological concerns, or geological circumstances.

The cost per megawatt-hour of the dam is estimated to be \$150 per MWh. In comparison, the Wells hydroelectric project costs \$12 per MWh, Nine Canyon Wind Projects costs \$69 per MWh, and Bonneville Power Administration costs \$33 per MWh.

At the direction of the Board, District staff will now investigate the future of Enloe Dam, keeping safety and cost considerations at the forefront. The Board granted staff 120 days to explore the legal, political, environmental, and financial issues related to the site.

What was once a “wooden crib dam” built in 1906, Enloe Dam was reconstructed to be a concrete structure costing \$125,000 in the early 1920s. Enloe Dam operated from about 1920 to 1959. When cheaper power became available in 1959, PUD staff at the time decided the costs were no longer economical and ceased its operations. There have been a series of studies since then about electrifying Enloe again, but issues kept arising to make that unfeasible.

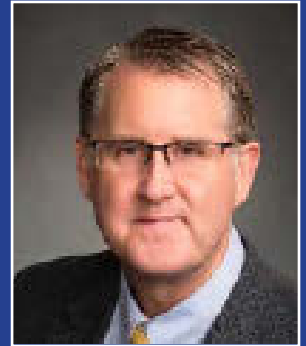


Enloe Dam while under construction, c. 1919-1920.

(Photo thanks to Okanogan County Historical Society)

Working for our neighbors

February 1st marks my six-month anniversary as the general manager of Okanogan County PUD. I am thrilled to be a part of the team and to become a part of your community. Although I'm familiar with the electric industry and public utility districts, I've spent a lot of time over these last six months getting to know the area and getting feedback from staff on our system and services we provide.



I would like to see the PUD continue to work on our accountability to our customers for our performance. When you have a concern, a question, a suggestion, or a compliment, please let us know! We need to make sure that we are always working for the customer – that's what being a public agency is all about.

There are other outside influences trying to dictate what we do and how we do it. New laws and regulations pop up, more mandates stretch our budget thinner and thinner. However complicated the outside environment, our core purpose must always come down to working for our friends and neighbors here in the Okanogan.

Technology is changing how we do business and deliver our services to you, while our infrastructure is aging and reaching its useful life. We still have to keep Enloe Dam safe. We need to be environmentally responsible. Our services are vital, but they must also be affordable. This is a balance that takes prioritization and strategic planning. As customers and public owners of this PUD, your input into this prioritization and planning are important.

We want your feedback. You can learn more about the work we are doing on our website, Facebook page and in our offices. Connect with us in whatever way you choose and know that we hear you.

I look forward to the next six months and the years to come, working together to bring you a service we can all be proud of.

Steve Taylor
General Manager

Okanogan County PUD

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