



## MINUTES

Northwest Open Access Network  
Meeting of Board of Directors  
December 11, 2019

NoaNet Network Operations Center  
422 W. Riverside, Suite 408  
Spokane, Washington 99201

The meeting of the Board of Directors of Northwest Open Access Network ("NoaNet") commenced at 9:07 a.m. on December 11, 2019.

### **Present**

The following Board members were in attendance:

Ron Gadeberg	(Okanogan PUD)
Chris Folta	(Benton PUD)
Roger Wright	(Franklin PUD)
Jim Civilla (alternate)	(Kitsap PUD)
Sarah Holderman (alternate)	(Pend Oreille PUD)
Linda Gott	(Mason PUD No. 3)
Ken Collins	(Jefferson PUD)
Dean Kovacs	(Energy Northwest)
Jason Dunsmoor	(Pacific PUD)
Steve Schopfer	(Clallam PUD)

Also present were: Annette Creekpau (Mason PUD No. 3); Ben Hooper (Franklin PUD); John McDonald (Okanogan PUD); Debbie Oakes (Pacific PUD); Rick Larson (Pend Oreille PUD); Robert Fritz (Pend Oreille PUD); Dave Spencer (NoaNet); Paul Harding (NoaNet); Rob Kopp (NoaNet); John Fryling (NoaNet); Craig Nelsen (NoaNet); Phil Von Buchwaldt (Washington Trust Bank); Cindy Zehnder (NoaNet consultant); Don Cohen (Gordon Thomas Honeywell).

Some of those present attended by video conference or speaker phone.

### **Preliminary Remarks**

President of the Board Linda Gott called the meeting to order. There were introductions around the room. Ms. Gott noted that officers normally have three-year terms, but two years



ago, she had been requested to stay on as President of the Board because of the Chief Executive Officer transition underway at that time. Her term as President would end in December 2020.

### **Approval of Minutes**

The minutes of the Board of Directors meeting of November 13, 2019 were presented for approval.

**Motion:** Roger Wright moved, and Chris Folta seconded, approval of the minutes of November 13, 2019. The motion passed.

There was a request that the 2020 Board of Directors meeting schedule be distributed by email. Staff will follow-up.

### **Approval of Payments for October 2019**

NoaNet CFO Paul Harding commented on several items in the October 2019 payment approval form. Discussion followed.

**Motion:** Roger Wright moved, and Chris Folta seconded, approval of the expenses in the Payment Certification form for October 2019, dated October 31, 2019. The motion passed.

### **Financial Report**

Paul Harding commented on the financial reports for October. He stated that October was a very good month, in part because of payment of the first partial month of billings for the ingress portion of the NG-911 Project. Mr. Harding continued that cash is up from last year, primarily due to payments from the eight Members under the Member Payment Agreement. Accounts receivable were 97% current. Accounts payable were up significantly, in part because of equipment purchases for a large project. Line of credit payments were timely made. Cash flow experienced a net increase and continues to increase. Budget-to-actual figures were revenue 98% and expenses 95%. Pension accruals are being made in 2019, and accrual amounts for 2019 totaling \$1.2 million are expected to be completed by year end with payment in January 2020. Mr. Harding reviewed the status of NoaNet's lines of credit. He also noted that adjusted operating income is down a little from last year because of pension accruals not being made last year and payments made this year for equipment maintenance expenses that had been deferred last year.

Discussion followed. CEO Dave Spencer commented on the "clean" State Auditor report that had been distributed and noted that the exit conference occurred since the last meeting.

Mr. Spencer requested that the eight Members return their signed Amendment To Member Payment Agreement regarding interest rate as soon as reasonably possible.

Discussion followed.



**Washington Trust Bank Financing—Resolution No. 0186**

Dave Spencer summarized the new Washington Trust Bank financing of \$665,000 for a specific project, as reflected in Resolution No. 0186. He noted that the Resolution also revises the required debt service ratio to a cash basis. Therefore, for example, the reference to a non-cash item like Pension Plan payments would be changed to the higher of the actual annual pension amount accrued or the annual actuarial recommendation. Mr. Spencer continued that this loan is a 3-year loan with a 4% interest rate. He also mentioned that there will be a minor revision to fees for the loan, which will be reflected in the Resolution as signed. Mr. Spencer recommended approval.

**Resolution No. 0186—A Resolution of the Northwest Open Access Network Authorizing the Issuance of a Note to Finance a Customer Contract and Amending Resolution No. 0161 to Change the Debt Service Coverage Calculation for the Outstanding Note and Bonds and the New Note.**

**Motion:** Linda Gott moved, and Roger Wright seconded, approval of Resolution No. 0186, with the revision to the amount of the fees in Section 3 as discussed with the Board.

Phil Von Buchwaldt of Washington Trust Bank stated that the bank wants to be a partner with NoaNet. It found the October financial statements to be encouraging. The Bank will be tracking this improvement over time. Discussion followed. This included confirmation that the previous terms on the Washington Trust financings will apply to this loan. For example, if the debt service ratio is not met, it could trigger Member assessments.

The motion passed.

There were expressions of appreciation to Dave Spencer and Washington Trust Bank on implementing this financing.

**Premium Only Plan—Resolution No. 0187**

Dave Spencer stated that Resolution No. 0187 relates to the new cafeteria plan and would enable tax-deferral of employee contributions to health and welfare insurance. He continued that Resolution No. 0187 is what is required for this to be implemented. Mr. Spencer recommended approval. Discussion followed. It was noted that, beginning January 1, 2020, NoaNet employees will be paying part of their health insurance premiums, and this Resolution would allow those premiums to be pre-tax. There were comments that many PUDs do this.



**Resolution No. 0187—Resolution Re Premium Only Plan**

**Motion:** Dean Kovacs moved, and Jim Civilla seconded, approval of Resolution No. 0187. The motion passed.

**Employee Pension Contributions—Resolution No. 0188**

Dave Spencer stated that Resolution No. 0188 would enable pre-tax treatment of employee pension payments as of January 1, 2020. He recommended approval. Discussion followed.

**Resolution No. 0188—Resolution Re Amendment of Pension Plan**

**Motion:** Roger Wright moved, and Dean Kovacs seconded, approval of Resolution No. 0188. The motion passed.

Information will be distributed regarding NoaNet’s contribution to be paid for employee pensions.

**Review of Energy Northwest’s Possible Acquisition of NoaNet**

Dave Spencer summarized his November meeting with Energy Northwest consultants and the additional documents NoaNet has provided. Dean Kovacs stated that Energy Northwest anticipates feedback from its consultant on financial-related issues by the end of December, which will be discussed with the Energy Northwest Executive Board at its late January meeting in anticipation of a decision of whether Energy Northwest will want to proceed with a possible acquisition. If that decision is in the affirmative, analysis of alternative structures will follow, with discussion with the NoaNet Board anticipated for February or March.

Discussion followed. This included how, if Energy Northwest decides not to proceed with an acquisition, NoaNet would be able to learn what information from the due diligence process might be useful to it. Dean Kovacs stated that he would pose that question to Energy Northwest. He also noted that the discussion at the February or March NoaNet Board meeting would likely address some of those points.

In response to a question, Dave Spencer stated that NoaNet has spent approximately \$20,000 in the due diligence effort so far. In response to another question, Dean Kovacs stated that Energy Northwest has been receiving information and documents from NoaNet that it needs to complete due diligence.

**Member Report**

Robert Fritz described Pend Oreille PUD’s telecommunications activities. There was discussion throughout.



## **Marketing Report**

Dave Spencer reviewed operations and marketing highlights for the month of December and for 2019. He noted that NoaNet's overall network reliability (which is important to NoaNet's reputation and to any service level credits) is 99.99986%. NoaNet's goal is "five nines", which NoaNet is exceeding. Despite exceeding goal, NoaNet is looking to improve fiber break restoration times by non-NoaNet Members who are private customers. Mr. Spencer and John Fryling described efforts NoaNet has made to encourage those providers to improve in this regard.

Mr. Spencer stated that new monthly net revenue has significantly exceeded the \$30,000 figure previously discussed with the Board. He continued that he expects additional increases in 2020. He commented on the efforts of NoaNet's sales and order fulfillment staff members, complimenting the order fulfillment staff in particular.

Mr. Spencer noted the 100% technical certification of NOC analysts, which NoaNet had been working on for several years. He also commented on NoaNet's excellent safety record in the field during the past year. This prompted a discussion of potential safety awards, including a discussion of Benton PUD's comprehensive safety policy. NoaNet staff will look into a possible safety award policy further.

Mr. Spencer then described several projects completed and underway. This included a very time-sensitive project for a major NoaNet customer, for which NoaNet staff mobilized and completed ahead of schedule. He also summarized internal streamlining for NoaNet that has been implemented this year for greater efficiency. He also commented on NoaNet's success in government contracts, including awards, possible additional awards, and implementations.

Discussion followed.

Mr. Spencer then described the growth in various products and services NoaNet provides. This included assisting several public entities in analyzing broadband in their service areas. There was discussion throughout. Mr. Spencer also commented on NoaNet's efforts in supporting enactment of the Governor's Broadband Bill.

There were compliments on NoaNet's accomplishments during 2019.

## **Legislative Initiatives Update**

Cindy Zehnder described NoaNet's comments that are being prepared for the Public Works Board rule-making. These would include emphasizing the importance of increasing broadband grant funding, as well as the regional importance of broadband. She commented on the funding challenges the Legislature will be dealing with during the upcoming legislative session. Dave Spencer summarized NoaNet's views as supporting rural broadband initiatives and increased broadband funding, with a focus on greater grant funding. Discussion followed,



including the importance of coordinating legislative efforts with the Washington PUD Association.

### **Other Items for Discussion**

Linda Gott noted that, after January 1, 2020, the CEO performance review process will get underway. She has appointed a task force consisting of Colin Willenbrock, Ron Gadeberg, Chris Folta, and Jason Dunsmoor. The performance review is expected to be discussed with the Board in February and March, with any action taken at the conclusion of those discussions.

### **Executive Session**

An executive session was convened at 11:25 a.m. to discuss potential litigation with legal counsel. It was anticipated to last approximately 15 minutes. The executive session concluded at 11:42 a.m. No action was taken during the executive session.

### **Resolution of Insurance Dispute With PURMS**

**Motion:** Dean Kovacs moved, and Jason Dunsmoor seconded, that the Board authorizes the Chief Executive Officer to enter into a resolution with PURMS regarding the insurance claim, in the amount of NoaNet's attorneys' fees and expenses, in a form to be approved by the CEO and legal counsel. The motion passed.

There was discussion regarding the availability of service level credit insurance coverage, as the Board had asked about in the past. Paul Harding responded that the cost of that coverage is being reviewed and will be discussed further with the Board at a subsequent meeting.

### **Next Meeting**

The next meeting of the Board will be at the NOC in Spokane beginning at 9:00 a.m. on February 12, 2020. Per the regular meeting schedule, there will be no Board meeting in January.

### **Expression of Appreciation**

At the conclusion of the meeting, Dave Spencer expressed appreciation to the Board and Member Representatives for their efforts and insights during the past year.



**Adjournment**

There being no further business, the meeting of the Board of Directors adjourned at 11:50 a.m.

Respectfully submitted,

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David H. Spencer  
Chief Executive Officer

Attest:

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Linda Gott  
President of the Board