

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
September 20, 2010

The regular meeting of the Board of Commissioners was called to order by President Nathan Davis at 9:00 a.m. Present were Commissioners Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Auditor Sue Nush, Attorney Steve Graham who joined the meeting at 9:05 a.m., and Secretary/Treasurer Jayne Jurgensen.

All stood for the Flag Salute which was led by Commissioner Kroupa.

Visitors: Dennis Boone, John Hamilton, John May, and Randy Sage.

The minutes of the previous meeting were approved by a motion made by Commissioner Kroupa seconded by Commissioner Aubertin and unanimously carried.

The meeting was turned to the visitors. Mr. Boone introduced himself as a candidate for the position of Ferry County Sheriff. The Board was thanked for their time. Mr. Hamilton presented and read a letter to the Board in opposition of their adoption of Resolution 10-06 at the August Board Meeting. Mr. Hamilton was advised that the Board would take his letter into consideration. Mr. May, representing Kinross Mines, requested that the primary user fee (Basic Charge) for the K2 Mine be reduced or eliminated as the mine is no longer in operation and reclamation work has been completed. The office and shop facilities are being used by the contractor responsible for the ore haul. A motion was made by Commissioner Kroupa directing Manager Friederichs to reduce the basic charge to the commercial rate. The motion was seconded by Commissioner Davis and unanimously carried. Mr. Sage spoke in response to Mr. Hamilton's request. Mr. Sage explained that the Utility, unlike the County, does not receive tax monies nor monies from the State. The Utility is not in a position to neglect a power line. This Utility give the best service and best quality of power to its customers. The system is radial, this meaning there is only one source of feed into the area. This type system requires expertise and special skills from the manager down to the workers. He closed by adding that, in the event the system wasn't maintained it would begin to fail the customers.

The Board went into Executive Session as per RCW 42.30.110 Subsection 1, paragraph I at 9:15 a.m. for one-half hour for the purpose of discussing pending and potential litigation. The Board came out of Executive Session as 9:38 a.m. recessing at this time. The meeting reconvened at 9:48 a.m. with the Board returning to Regular Session.

Mr. Sage returned to the meeting. Messrs. May, Boone and Hamilton did not return to the meeting.

The Board discussed the pending High Cost Line Extension for Mr. and Mrs. Alexander. The Board concurred that the line be placed so as to be in the best interest of the Utility and that Mr. VanSlyke should do what is needed to be done to accomplish the installation.

Reports:

The Engineer/Superintendent's Report was presented by Steve VanSlyke:

1. Bamber Creek High Cost Line Extension contracts will be prepared for two applicants. Other land owners have expressed interest but have not met the application requirements. Mr. Beal has signed an easement and the construction is scheduled to begin in early October.
2. A re-route in Swawilla Basin has been mapped, staked and approved. The Council has yet to review and comment on the project.

Mr. Hamilton returned to the meeting at 10:00 a.m.

3. S. D. Meyers completed the oil sampling for the dissolved gas analysis testing in all transformers.
4. The Windsor substation is scheduled for a transformer change. Once this has been accomplished all transformer in this substation will have copper windings and be FR3 filled.
5. The Kroupa substation is scheduled for regulator maintenance. It will be de-energized while the new regulators are installed. The load will be picked up by Strassburg and Job Corps substations.
6. The double circuit West of Republic is scheduled for maintenance. Arms will be replaced and the line will be re-sagged for clearance. The Flag Hill breaker will also be put back to normal operation at this time.
7. Poles are being tested and treated along Toroda Cr. Road from Job Corps to Wauconda. Kuehne Road has yet to be completed and has been scheduled for the spring. This will complete the current testing cycle within ten years. This is the first time that the Utility has tested every pole on the system within this time frame.
8. The line crew is replacing transmission structures North of Republic as part of the pole

testing and replacement program. Pole replacements are scheduled for Rose Valley, Kroupa Road, Customs Road, Swawilla Basin, SR 21 from the Keller Ferry to Keller, Manilla Creek Road and Mt. Tolman.

9. Right-of-way maintenance work will begin again on September 20 with Seattle Tree Service returning. Work will take place primarily North of Republic with some work on the Kinross Mill site line. The Utility will be reimbursed for the Kinross clearing work.

The Conservation report was presented by Manager Friederichs:

1. An updated FY2010 Report was distributed.
2. The annual solar system inspections will begin in the month of October. One solar outage was reported but was found to be the customer's equipment.
3. Window replacements continue.
4. The Utility's method of accounting for conservation funds has been adjusted and the fund will be much easier to understand.
5. Lillian Montague is the winner of the ductless heat pump raffled during the Fair.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. One "Letter to the Editor" in the most recent issue of the Republic News-Miner indicated that the Utility would be having a rate increase in January. The writer of the article was contacted and it was explained that there would be no January rate increase.

Meetings:

1. Attended the September Manager's Section meeting which was very productive. As a cost saving measure it was suggested that some of the meetings be scheduled as teleconferences.
2. The Energy Northwest Member Forum has been scheduled for October 28 and 29.
3. A notification has been received from TRICO/TEDD regarding a September 29 meeting in Colville to discuss the public transportation.
4. An announcement was published in a local newspaper advising that EcliptixNet has been awarded monies to provide broadband internet into Ferry, Stevens and Spokane Counties. This is a different project than the NoaNet award which will link from Tonasket to Ione.

General Business:

1. The surplus pick-up was sold to Ms. Brea Hendrickson for the high bid of \$3,099.
2. The lucky winner of the remote controlled tractor raffled during the Fair is Tristan Rodak.
3. Manager Friederichs presented his desire to increase Auditor Nush's compensation more than the customary one step increase. Her current pay scale is at a step 11 and his proposal would increase her compensation to a step 13. This increase would not have a negative effect on the budget. Mrs. Nush is performing her duties in an exemplary manner and should receive compensation over and above those whom she supervises. The Board concurred.
4. Labor negotiations are to begin and preliminary meetings have been held. As could be expected, the primary topic was wages. Industry-wide, as a group, this Utility has been at the bottom of a very narrow range regionally. Every district is faced with the same issue as to where they want to be for local wages as P.U.D.'s have historically paid more. Manager Friederichs went on to explain that he personally wants to see the P.U.D. have the best jobs in the area and to be able to pay measurably more than other jobs in the County. People are interested in working for the Utility and leave other area positions to do so. Recently, a lineman position was advertised nation-wide. Three applications were received which indicates the wage for the position is not too high. The people at the P.U.D. have always been able to get work done in the best manner, the fastest and the most reliably. The people currently working for the P.U.D. are the best that he has seen in the twenty years that he has been employed by the Utility. Wages and benefits are dropping from years past due to personnel changes due to expensive people ending their careers. Currently, the Manager is receiving compensation less than any manager in the past six years, the engineer is the lowest paid engineer in many years, the auditor position is paying 30-40% less than in recent years. The quality of the work has not decreased because of the lower wages. It is not an easy matter to stop spending money. A good example is the amount of money spent each year on the tree trimming work. Often this Utility spends much more than larger utilities but, this work has reduced the number of outages, the amount of crew overtime and has increased the reliability of the system. Commissioner Kroupa added that during the interview process for the Manager position, another person was selected. That individual was already making \$20-\$30,000 above what this position could offer. This Utility's Manager is the lowest paid Manager in the State. The salaries paid do, at times, upset other individuals in the area but, on a state-wide basis are in line with other small utilities such as ours.

The Attorney's Report was presented by Attorney Graham:

1. A progress report was presented regarding the railroad easement billings. The tracks are no longer in place and the property has been signed to the County. Other utilities are also experiencing the same problem. Omnitrails has indicated they will pursue payment through

other means. Mr. VanSlyke added that the Utility has a current franchise with the County for perpetual crossings.

Commissioner Kroupa exited the meeting at 10:50 a.m. returning at 10:52 a.m.

2. No information has been received regarding the Steinbock case and further litigation.

Commissioners:

Commissioner Kroupa:

1. No report. Did not travel.

Commissioner Aubertin:

1. Attended a fund raising event sponsored by the Keller Community Club. The club is planning improvements for the rodeo grounds and questioned whether the P.U.D. could help in any way. There may be the need for setting light poles and mounting lights or, financial support for future events and surplus lights. Engineer VanSlyke will contact the individual responsible for the improvements to better understand their requirements. The Club will then be able to make a formal proposal to the Board.

Auditor Nush exited the meeting at 10:58 a.m. returning at 11:05 a.m.

2. Will attend the Energy Northwest Member Forum in October.

Commissioner Davis:

1. Attended a TEDD meeting. A new transportation service has been added in the Colville, Kettle Falls area. Unfortunately, the service does not extend into our area due to costs.

Mr. Hamilton exited the meeting at 11:12 a.m. and did not return for the balance of the meeting.

NoaNet received funding for Internet fiber from Tonasket to Ione along Highway 20. Another meeting has been scheduled for members to review the structure and purpose and value of TEDD.

2. Attended the September WPUA meeting. Had the opportunity to mention that our Utility had the potential to be free of its RUS debt. Several other utilities expressed a desire to be in such a position. Manager Friederichs added that, in the event the Utility did clear its RUS debt the Utility would still be able to borrow from RUS if the need arose. A number of utilities in the State are faced with rate increases with some spread over a two to three year period. They are finding that the increases are not purely based on B.P.A. cost increases but on their operating costs. An outside firm has been hired to fill the Executive Officer position in a timely manner. Based on the new structure of the WPUA, the organization is now **jointly managed by both the commissioners and manager** ~~directed by the managers~~. Each utility has been asked to have a representative on each of the committees.

The meeting recessed at 12:10 p.m. for lunch reconvening at 12:57 p.m. Mr. Sage did not return to the meeting.

Photographs of Utility vehicles and equipment were reviewed.

Commissioner Davis explained and displayed the various energy monitoring units he now has available for use.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of September 10, 2010 were \$1,148,303.82 with restricted funds of \$1,669,649.66. There were twenty-three outages in the month of August for a year-to-date total of one-hundred thirty-five compared to one hundred for the same period in 2009. The Revolving Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed.
2. A High Energy Cost Loan customer has stopped making payments. The Utility has been advised to sue if payments are to be made.

The Auditor's Report was presented by Sue Nush:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 6251, 6335 through 6406, 6411 through 6446; direct payroll deposits numbers 9900958 through 9900989 and Electronic Fund Transfer number 130 through 132 in the total amount of \$433,490.14 were approved by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. A telephone conversation has finally taken place with the State Auditor's Office regarding the comments made and direction given by the field auditor during the 2009 audit. The Utility has now been given the same opportunity as those other utilities in the State who are

RUS borrowers. Notes are to be made to the 2009 financials explaining the in-kind monies and the Utility will move toward GAP accounting procedures. RUS accounting will still be followed as the Utility is still an RUS borrower and will continue in the event there is a need to borrow in the future.

4. An update of the Fish Hatchery Road fire was presented. The Utility's insurance company has investigated the event and at this point, nothing has been finalized. Any individual who lost property may file a claim with their homeowners insurance.
5. The new Freightliner truck has been received and payment in the amount of \$98,371 processed. A discount was received due to prompt payment and using the State vehicle bid saved additional dollars.

A recess was called at 2:32 p.m. with the meeting reconvening at 2:45 p.m.

6. A review of the 2011 Proposed Preliminary Budget was held. A motion was made by Commissioner Davis to hold the Public Budget Review on October 18, 2010 during the regular Board Meeting. The motion was seconded by Commissioner Kroupa and unanimously carried. A motion was made by Commissioner Kroupa to accept the Preliminary Budget with focus made on paying off the RUS debt. The motion was seconded by Commissioner Davis with a discussion following. Commissioner Kroupa amended his original motion to accept the Preliminary Budget with the deletion of the purchase of a pick-up truck and snow cat. Commissioner Davis seconded the amended motion. With no further discussion the motion was unanimously carried.

Lobbying: None

With nothing further to come before the Board, the meeting was recessed at 4:34 p.m. The meeting reconvened at 5:00 p.m. for the purpose of holding a Revolving Loan and Grant meeting. Those present were: Commissioners Chris Kroupa, Nathan Davis, and Doug Aubertin, committee members Gail Kuehne and Steve Graham with member Dan Miller participating via telephone. Manager Friederichs and Auditor Sue Nush were also in attendance as was Mr. Bret Roberts.

The application and proposal submitted by Mr. Roberts was discussed at length. Mr. Roberts chose to withdraw his application.

With nothing further to come before the Board, the meeting adjourned at 6:25 p.m.

BOARD OF COMMISSIONERS
PUBLIC UTILITY DISTRICT NO. ONE
FERRY COUNTY, WASHINGTON

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager