

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
January 15, 2007

The regular meeting of the Board of Commissioners was called to order by Vice-President Gregg Caudell at 9:02 a.m. Present were Commissioners Gregg Caudell, Chris Kroupa and Nathan Davis, Manager Roberta Weller, Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen.

Visitors: Jeff Durham with Ruralite, Ken Hustad with B.P.A., and George Bonney with CompTech

All stood for the Flag Salute.

The minutes of the December meeting were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.

The meeting was turned to Mr. Durham. He explained that he is the Associate Editor at Ruralite Services and proceeded to provide information pertaining to the Ruralite publication. The magazine is a monthly publication and was created as a vehicle for utilities to communicate with their customers. They have a circulation of approximately 300,000 households and serve fifty utilities throughout Alaska, Washington, Oregon & California. The affiliated utilities are members and receive a capital credit as the Ruralite operates like a co-operative. The magazine consists of thirty-two pages and can be created specifically for each utility with local information included on four pages. The cost is 28-cents per issue for a utility of our size with an additional postage charge of 12-cents per issue. The postage rate is scheduled to increase to 13-cents in mid-2007. Each utility is responsible for providing the local information. Commissioner Caudell suggested that Mr. Durham present information to the WPUDA. Manager Weller explained that the Utility had, at one time, been a Ruralite member but had to drop out as a cost reduction measure recommended by the consumers. Mr. Durham added that, in most cases, utilities do not charge their customers for the magazine and that there is an option to send the magazine six times for the first year at a slightly higher cost with the utility making the decision at the end of the year whether to stop or continue. Mailing labels are generated by each utility. No final decision was made at this time and Mr. Durham was thanked for his time and he exited the meeting at 9:45 a.m.

A brief recess was declared at 9:45 a.m. with the meeting reconvening at 9:50 a.m.

Manager Weller opened the meeting for the purpose of election of officers. Commissioner Caudell nominated Commissioner Kroupa for the position of President. The nomination was seconded by Commissioner Davis and unanimously approved. Commissioner Davis nominated Commissioner Caudell for the position of Vice-President. The motion was seconded by Commissioner Kroupa and unanimously approved. Commissioner Kroupa nominated Commissioner Davis for the position of Secretary. The nomination was seconded by Commissioner Caudell and unanimously approved. The meeting was then turned over to Commissioner Kroupa to Chair.

The Board discussed the Ruralite publication with all concurring that it is too costly at this time. Commissioner Caudell reported that the WPUDA has a quarterly publication similar to the Ruralite which includes pertinent subject matter and profiles certain utilities. This publication has a limited number of copies and is directed towards legislators and those that the WPUDA feels need to be more informed on public power and also to influence those that do not know about public power. Commissioner Caudell asked that a letter be sent to the Ruralite Board suggesting that they consider a quarterly publication and requesting that they consider such for Ferry P.U.D.

Reports:

Commissioners Reports:

Commissioner Kroupa:

Nothing to be reported.

Commissioner Davis:

1. Attended the WPUDA's New Commissioner Orientation. Had the opportunity to visit with a number of legislators, commissioners and some managers. Found the presentation to be very informative. Questioned the content of the second portion of the Orientation which has been scheduled for May 16 at Campbell's Resort on Lake Chelan. Commissioner Caudell recommended that he attend.

Commissioner Caudell:

1. The results of the WPUDA Annual Meeting evaluation have been compiled and were shared with the Board.
2. Work has momentarily stopped on the construction of the new WPUDA building due to the weather. All utilities have not paid their portion of the building costs. There is 3,700 feet of the building which can be leased and the WPUDA is now working with an organization to locate tenants. It is hoped that the Platinum building status will attract tenants.
3. There are currently fifteen bills before the Legislature that are being tracked. The most important is Senate Bill 5120 which calls for a broadband technology study. The Verizon bill which seeks to deregulate the Verizon telecom services has not found a sponsor as yet.

Mr. Ken Hustad with B.P.A. joined the meeting at 10:27 a.m. Introductions were made and the meeting was turned to him. A long-term Regional Dialogue update was presented. The fish issue remains on the forefront. B.P.A. has contacted those tribes who did not have a project funded and has offered to fund their projects. Each utility is advised of its share of the fish costs on the monthly billing. B.P.A. is working on a paper that will address its benefits to the region.

George Bonney joined the meeting at 10:40 a.m. for the purpose of presenting information on a computer wiring proposal. Manager Weller explained that, because a new T-1 line has been installed and the Utility's upgrade to a new computer system early this year, it will be necessary to upgrade the computer wiring throughout the building. Mr. Bonney has been working with NCCL of Spokane in their development of a bid for the materials and work. Mr. Bonney provided additional information in the current status of the computer wiring and his concerns if it is not improved. Two bids for a wiring upgrade have been prepared by NCCL. The top end cost is \$15,245.33 and the low end is \$4,193.66. He explained that this company has done work locally for several businesses and have proven to be very competent. Commissioner Caudell questioned whether the proposals included an upgrade to wireless communication. Any upgrade to wireless would be in addition to the presented bid proposals. Mr. Bonney explained that he will in no way benefit from the proposed work, he

has expressed his concern regarding the existing wiring and was asked to bring NCCL in to look at the facility. Commissioner Caudell thanked Mr. Bonney for his time and efforts. The Board made no decision at this time. Mr. Bonney exited the meeting at 11:00 a.m.

Mr. Hustad continued his presentation. B.P.A. receives and markets power from thirty-one federal dams and one nuclear plant at an average of 7,100 megawatts. There is normally a surplus of power from this amount. There will come a time when B.P.A. can no longer meet the needs of its customers and will make a functional change in the way it does business. The regional dialogue has been created to begin dealing with this pending situation. It is planned that B.P.A. will offer power at two rates, Tier 1 or the hydro rate and Tier 2 which will be purchased outside the area or the customers will purchase their own load. This will become effective on October 1, 2011. Each utility will have a highwater mark established based on actual usage in 2010. The DSI's have to operate to receive any value and B.P.A. is under no obligation to serve them. This however, is a political issue and there is a need to have and to keep jobs in the region and for the DSI's to operate. Currently the load growth of the publics is using up all of the federal system. The Low Density discount will continue. It has no connection with megawatts or conservation. Mr. Hustad advised that he will be available to help the Utility throughout the new contract process. He was thanked for his time.

The meeting recessed at 12:15 p.m. for lunch, reconvening at 1:25 p.m. Mr. Hustad did not return to the meeting and General Foreman Sage was in attendance.

The General Foreman's Report was presented by Randy Sage:

1. The crew has been performing maintenance as a result of the December 27 snow. Approximately 100 trees have been removed and continue to be removed when identified.
2. Completed one new line extension. Work will begin on an extension west of Republic.
3. The pole testing is completed work for the winter as the ground is now frozen too hard.
4. Attended the Community Advisory Board meeting at the Eagle Cliff Grange. All seems to be coming together well. Three committees, economic, social and environmental have been formed. A vision statement of "We envision opening the mine as quickly as possible while providing family-based jobs that will help sustain thriving communities with minimal negative impact on the people and the environment, with a Good Neighbor Agreement that is practical and acceptable to all and provides an on-going process that will be effective for the life of the mine" was adopted. It is hoped that by-laws will be in place at the next meeting. Three appeals, filed by the Okanogan Highlands Alliance, have been filed. One of the first issues to be addressed by the group will specifically deal with the trucks, i.e., emissions, configuration and the haul. Mining has again begun at the K-2 site.
5. Grant County P.U.D. is in the process of disposing of surplus generators. Would like to see three purchased for emergency services in Curlew, Republic and Keller as the Utility is located on a radial feeder. Previously FEMA had indicated that they would not be able to help the Utility with the purchase of an emergency generator. Manager Weller was asked to contact Grant County P.U.D. to obtain pricing and additional information on the generators.

Commissioner Kroupa questioned the purchase of a new backhoe trailer. It had been his understanding that a new trailer was needed in order to safely tie the backhoe down when in transit. Mr. Sage advised that this was correct as well as the matter of the continually needed repairs to the trailer as it was not adequate for the load. The old trailer will be kept and used to transport the Ford backhoe. The new trailer was purchased for a cost of \$22,176.55 including sales tax.

Manager Weller questioned whether the L&I requirement for additional safety meetings was being met. Mr. Sage advised that four hours were completed on January 4 and another four hours have been scheduled for February 1 and this will meet the requirement. There were no near misses as of the January Safety Meeting. Since that time Jacob Burbank fell while climbing a pole and suffered a scratched chest. This will be discussed at the next safety meeting.

Manager Weller reported that General Foreman Sage and the outside crew have finished the review of the service area boundary map as proposed by Okanogan County P.U.D. Mr. Rounds has again contacted the Utility regarding the new service boundary as his group is ready to move forward with their annexation into Ferry County P.U.D. Mr. Rounds requested a letter from the Utility stating that it would accept them as customers. The maps were reviewed and discussed at length. The Board concurred on a modification to the Okanogan proposal which will be returned to Mr. Berrie, Manager of Okanogan County P.U.D.

6. Bernie Odegard and Ed Forsman are now cutting brush. They will begin right-of-way clearing in the southern portion of the District, working north. Depending on manpower, the pole testing program may be slowed as the line crew isn't able to replace the deficient poles as quickly as hoped.

Mr. Sage was thanked for his time and he exited the meeting at 2:45 p.m.

Commissioner Caudell reported that cities do have the authority to provide water outside of their existing system. Therefore, the City can serve the Pine Grove area.

Conservation Director John Friederichs joined the meeting at 2:45 p.m. for the purpose of presenting the Conservation report:

1. Have provided information to two possible qualifying entities for the Renewable Energy System Cost Recovery Program. To date, they have not responded.
2. Information on the Public Utility Tax Credit for Transportation Services has been provided to Senator Morton, Representatives Sump and Kretz, WPUA's Dave Warren and Ferry County Memorial Hospital Administrator Ron O'Halloran. This proposal will again be presented by Senator Morton.
3. The PECE Conservation Program does not appear to have moved forward. Unused bulbs will be returned to PECE. Have obtain one of the reports detailing proposed energy saving measures. This program will not impact the Utility's C&RD funding as B.P.A. will work directly with the contractor. A new B.P.A. lighting program will begin in February with a kick-off meeting to be held in Spokane.
4. The Assisted Living Facility photo voltaic system has yet to be installed and has been put on hold until the weather changes and the facility is fully inspected.
5. Received an email regarding the Wood-Waste to Methanol funding and, there will be no 2007 funding made available for this project unless there is an existing program that would cover the costs.

Commissioner Caudell questioned Mr. Friederichs's affiliation with a group that is working on a net metering project. Mr. Friederichs explained that the group formed at the solar summit and is attempting to develop a common, standard meter base or adapter for a meter base that would allow either AC or DC and would not require an electrician to modify. The inverter would be owned by the utility and the homeowner would be able to plug directly into it.

6. RUS now allows for a utility to install a 20 kWh grid connected solar system through RUS financing.

Commissioner Caudell requested that all information regarding bills be provided to him at the same time it is sent to Dave Warren. Mr. Friederichs will see that all Commissioners receive the information.

Mr. Friederichs was thanked for his report and he exited the meeting at 3:10 p.m.

Commissioners reports were continued:

The scheduling of the February Board meeting was discussed with the Board concurring that the meeting will be held on Tuesday, February 20, 2007 due to the holiday.

Manager Weller advised that Mr. Dan Bowers with RUS will be visiting the Utility during the third week of February but will not be meeting with the Board.

The Board's representation to the various Trade Organizations for the 2007 year was presented for discussion. The representation will be as follows:

WA P.U.D. Association	Caudell/Davis
P.U.D. Roundtable	Caudell/Davis
Energy Northwest	Kroupa/Davis
NWPPA	Davis/ Caudell
P.P.C.	Caudell/Kroupa**
TEDD	Davis/Kroupa
Packwood Owners	Weller
WA Association of P.U.D. Attorneys	Graham
Community Development Group	Inactive
Revolving Loan/Grant Committee	Kroupa/Caudell/Davis
N.R.U.	Kroupa/Caudell/Davis
PNUCC (non-voting)	Kroupa/Caudell/Davis
A.P.P.A.	Caudell/Davis

** Commissioner Kroupa will attend quarterly meetings

Manager Weller provided information from an email advising that the WPUDA would cover the cost of airline tickets for Commissioner Caudell to fly from Maine to Spokane which would allow him to attend the September WPUDA meeting scheduled to be held in Republic. Commissioner Caudell asked that the Board strongly consider changing the date of the WPUDA meeting from September to July as he will be in Maine for the months of August and September. A decision was not made at this time.

Commissioner Caudell advised that he will need hotel reservations and airline tickets for an APPA rally to be held in Washington DC on March 12 through 16.

Commissioner Caudell questioned whether the Board would reschedule the WPUDA meeting. After a brief discussion Commissioner Kroupa advised that he was not in favor of such a change. Commissioner Caudell requested an excused absence for the August and September Board meetings. The Board concurred.

The Attorney's Report was distributed by Manager Weller in Attorney Graham's absence:

1. An agreement has been reached in the WISHA lawsuit.
2. The Judge orally denied the request to have power reinstated made by the Steinbocks. More documents have been filed and information has been requested in order to verify their allegations.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved G&O Warrants Number 24224 through 24317 in the amount of \$200,744.67 and Payroll Warrants Numbers 009245 through 009264 in the amount of \$51,738.62 and Numbers 009265 through 009286 in the amount of \$55,205.90 by motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. The D. Hittle report was presented.
4. A B.P.A. cost comparison for Fiscal Years 2006 and 2007 was presented.
5. A fuel summary was presented.
6. An inventory adjustment in the amount of \$1,072.00, based on the November 30 physical inventory, is necessary. A motion was made by Commissioner Davis to make this change. The motion was seconded by Commissioner Caudell and unanimously approved.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of January 10, 2007 were \$1,435,241.06 with restricted funds of \$1,438,011.20. There were fourteen outages in the month of December for a year-to-date total of one hundred fifty-one compared to one hundred twenty for the same period in 2005. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. A summary of the 2005 Gift Certificate program was presented.
3. Work Orders 344.I through 344.X in the amount of \$54,930.86 were unanimously approved by a motion made by Commissioner Caudell and seconded by Commissioner Davis.
4. The Board signed updated Public Funds Financial Relationship Agreements for two Bank of America checking accounts.

The Manager's Report was presented by Roberta Weller:
A summary of the Utility's financial standing from 1985 through 2006 was presented.

Correspondence:

1. The Utility again participated in the Chamber of Commerce sponsored "Shop at Home" holiday program. Mr. Bruce Greene was the winner of the Utility's \$50 gift basket.
2. A letter has been received from the Eagle Track Racing Association explaining that they will be sponsoring snowmobile events this year. They are also seeking sponsorships for trophies and cash awards. A motion was made by Commissioner Kroupa to provide \$50 for trophies. The motion was seconded by Commissioner Davis and unanimously approved.
3. A letter has been received from the Republic Chamber of Commerce asking the Utility to again become a member. The forum has been changed to a quarterly evening meeting in hopes of better attendance at the meetings. A motion was made by Commissioner Kroupa to again join at the cost of \$100. The motion was seconded by Commissioner Davis and unanimously approved.
4. An email has been received from Mr. Ken Hustad with B.P.A. advising that the Utility's Load Based CRAC true-up will result in a monthly credit of \$3,805 for the period December 2006 through May 2007. This amount will be reflected as a credit on the Power Bills.
5. A letter has been received from the River Partners thanking the Utility for its support in 2006. The Board briefly discussed the renewal of membership and were in concurrence that the Utility not join until assessed.
6. A letter has been received from Mr. David James, President of the Ferry County Chamber of Commerce inviting the Utility to again become a member. A motion was made by Commissioner Davis to renew membership in the amount of \$30. The motion was seconded by Commissioner Caudell and unanimously approved.
7. The Annual NWPPA meeting will be held in Spokane May 21 through 24.
8. The question has been posed as to whether the Utility will use the Republic TV Association as a back-up Internet provider now that a T-1 has been installed. No decision was made as additional information is needed. Commissioner Davis explained that the TV Association will be upgrading their system in the near future.

Meetings:

1. Steve VanSlyke attended a Kinross project coordination meeting in Wenatchee recently. Based on the meeting, the line construction will begin in July pending bid solicitation and contractor selection. Attorney Graham is working with Kinross on the drafting of an agreement detailing the payment schedule for those materials orders placed by the Utility. The Utility will expend no funds on these purchases.

General Business:

1. Input has begun on the new computer system. Auditor Groth has completed all of the General Ledger input. Additional telephone conferences will be scheduled for training as necessary. Training has been scheduled for February 5 through 9 and March 5 through 14. The March training will require weekend work.

A brief recess was declared at 4:40 p.m. with the meeting reconvening at 4:45 p.m.

2. The Load Forecast has been completed by Power Engineers. This is one portion of the reports they will be preparing for the Utility's RUS compliance. To date, approximately \$14,000 has been paid and their total projected cost was \$80,000. Auditor Groth pointed out several discrepancies in the Load Forecast report. Manager Weller advised that the Manager is to provide a letter to the Board recommending that they accept the report. Resolution 07-01 "A Resolution Adopting Load Forecast" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried. Power Engineers will be requested to correct the discrepancies before the document is forwarded to RUS
3. A vacation request was submitted for approval.

Other Business:

Commissioner Davis stated that through conversations with employees and others, he feels that there could be improvements made within the Utility and toward that end, he has developed a questionnaire that he would like to present to the employees in order to receive their feedback. This would be an anonymous survey with no retribution toward the employees. A lengthy discussion followed. Commissioner Davis will meet with Manager Weller before next month's meeting and the subject will be revisited at that time.

Manager Weller questioned how the Board wished to proceed with the office computer rewiring. Commissioner Caudell recommended that Mr. Tim Beckner be contacted and given an opportunity to review the bid proposals for flaws. Commissioner Kroupa asked that Manager Weller contact Mr. Beckner and if she feels comfortable with his recommendation she can accept the bid and proceed.

Lobbying: None

With no further business to come before the Board, the meeting recessed at 5:36 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager