

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY  
REGULAR MEETING OF COMMISSIONERS  
January 16, 2006

The regular meeting of the Board of Commissioners was called to order by President Kathy Ciais at 9:08 a.m. Present were Commissioners Ciais, Gregg Caudell and Chris Kroupa, Manager Roberta Weller, Attorney Steve Graham, General Foreman Randy Sage, Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen.

Visitors: Mr. and Mrs. Frank Rounds, Jr., Ron Rose, Dan Furlong, and Ken Hustad who joined the meeting at 10:23 a.m.

All stood for the Flag Salute.

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

The meeting was turned to the visitors with General Foreman Sage providing an overview of their concerns. He explained that he has met with Mr. Rounds on a number of occasions. A group of the Utility's customers residing in Okanogan County would like to be annexed by Ferry County P.U.D., and are concerned about the number of outages occurring in their area. They would like to see an alternate feeder from Okanogan County P.U.D. for the Wauconda area. Mr. Rounds then explained that he has been a customer of Ferry County P.U.D. since the early 1950's when the line was built. He further explained that he is representing a number of individuals in the Wauconda area and they have three primary concerns that they would like to see resolved. Their number one priority is the relocation of all lines so that they run along main traveled routes to make it easier for the crews to locate problems. All three Commissioners were asked to inspect the lines to better understand this request. Of next importance is either remounting the lines on the poles or installing spreader bars to keep the lines from coming together when the snow drops off. Their main issue is to see that an alternate source of power is brought into the Wauconda area from Tonasket. They feel that there have been too many instances when they have had no power and other customers have had power. The possibility of the Utility holding a public meeting in the Wauconda area to discuss these concerns was presented. Various possibilities to finance the work were discussed as were approximate costs. Commissioner Caudell stated that as a Commissioner for six years, he has spoken with quite a number of commissioners throughout the State and our Utility should be commended for keeping the lights on. He added that a decision such as changing a transmission line would be a Board decision and would be considered carefully as such an expense would impact all of the consumers. An overview of B.P.A.'s role in the Utility's energy supply was presented as was the need to bring fiber optics into the County. Mr. Sage reported that the crew has been working in the Toroda Creek area for the past several days installing off-set brackets on the neutral conductor which will keep the lines from coming together when the snow leaves the lines. Mr. Rounds stated that the consumers in this portion of Okanogan County would like to submit a petition to Ferry County P.U.D. which would allow them to have a say in and vote on Utility matters. A petition was reviewed by Attorney Graham. He stated that if this area were annexed, the consumers would be able to vote and that three elements must be met for the annexation. These three items are that both utilities must agree to the change, resolutions must be signed approving such annexation, and a petition from the consumers must be provided. The existing commissioner districts would be reapportioned to accommodate the area, the change would not result in the addition of another commissioner. Manager Weller advised that there are 204 accounts in Okanogan County. Commissioner Kroupa stated that RCW 54.04.035 explains annexation requirements. Commissioner Caudell advised that he has taken issue with the petition in light of the information presented and questioned whether the visitors still felt that a petition was necessary. Mr. Rounds responded that the consumers still want representation of their choice. Attorney Graham recommended a change in wording of the petition and explained the difference between a service area which is where power is provided and district boundary which determines a utility's area. In some cases, the service area is not clearly defined as is currently the case between the Utility and Okanogan County P.U.D. Attorney Graham was asked to research further the requirements of an annexation. Mr. Sage questioned whether, if the annexation were to occur, these consumers would become subject to a utility tax such as the one the City imposes. Attorney Graham advised that they would be taxed and treated as anyone else in the District. Mr. Sage further questioned if they would be taxed if the County were to impose a County utility tax and again Attorney Graham advised that they would. A public meeting will be held within one month in the Wauconda area. Mr. Rounds will confirm the location and date with Manager Weller. The visitors were thanked for their time and they exited the meeting at 10:11 a.m. The Board continued to discuss the matter. Mr. Sage explained that the Utility has been replacing insulators for the past four years as the older ones in use have begun to deteriorate and cause problems. This work is completed as schedules allow as a one-time replacement project would cost at a minimum, \$100,000. The Utility isn't able to move all of the lines that are located away from main roads due to the cost. The crew has been installing an off-set neutral bracket on the lower line of certain poles on all new construction and on older poles when the situation warrants. Manager Weller was asked to locate old records pertaining to a previous annexation request from Okanogan County consumers at which time they asked to be annexed to Okanogan County P.U.D.. Commissioner Caudell explained that the Board should rely upon Attorney Graham's interpretation of the RCW's as that most individuals can't interpret them correctly. The Board discussed a possible meeting with Okanogan County P.U.D. with no decision reached. Manager Weller advised that Okanogan

County P.U.D. has never served these customers, they have always been served by Ferry P.U.D. The Board discussed the February Board meeting with a motion made by Commissioner Caudell to hold the February Board meeting on the 21<sup>st</sup>. The motion was seconded by Commissioner Kroupa and unanimously approved.

The Board selected two possible dates for a Wauconda community meeting. Those dates being February 22 and March 6. Manager Weller will confirm the date.

A brief recess was declared at 10:35 a.m. with the meeting reconvening at 10:40 a.m.

Mr. Hustad was welcomed to the meeting and he proceeded to provide information on the 2007 - 2009 rates, the regional dialogue and fish and wildlife issues. In the rate area, the key thing is that the estimated rates for the coming period should remain close to where they are at this time or \$29 per megawatt hour. The power produced by the Columbia Generating Station was discussed at length. The 9-11 attack has resulted in increased security burdens at all of the dams which has increased operating expenses. B.P.A. is attempting to lower interest rates on bonds and is retiring its Federal debt. Auditor Groth questioned what the Utility's rates would be for the 2007 through 2009 period and Mr. Hustad reported that our rate would be \$30 per mil which is slightly higher than is currently being paid and is more in line with the 2003 - 2004 period. Costs associated with Judge Redden's decision have resulted in \$75 million being paid in 2005 and another \$60 million to be paid in 2006. The Regional Dialogue is proceeding well. B.P.A. is attempting to determine what its customers can purchase over the next twenty years. The new contracts would be effective in 2011 for a period of sixteen years. It appears that B.P.A.'s customers do not want it to purchase on the open market to meet the demand but to remain undiluted. B.P.A.'s customers may desire to purchase their additional need. At the time the new contracts are negotiated, a high water mark will be determined for high cost items and each customer will then be able to determine what other products they would purchase from B.P.A. Mr. Hustad advised that he was not able to discuss the rates in place for the next three years however, there was no restriction on discussing post 2011 rates. The entire B.P.A. system is subscribed, there is nothing further to allocate and at the time Ferry negotiates its high water mark the Utility should make certain that the allocation method used allows for a fair share. The residential exchange process was discussed at length. There will be a separate exchange arrangement for public customers with part of the proposed contract for the next twenty years being a relinquishment of the right to exchange. This option will not apply to the IOU's who are attempting to settle their exchange rights on a financial basis as they are not getting any real power. The IOU's have the right to purchase transmission which has been converted into a FERC-type of service. B.P.A. provides quite a bit of transmission service to investor owned utilities and they pay the same rates for the same type of service as the public utilities. B.P.A. had the opportunity to declare native load in the mid 1990's and did not do so. The native load would allow utilities that owned transmission non-restricted access to the system and the decision made allows everyone equal access to the system. It is not possible to change this decision. Randy Sage exited the meeting at 11:37 p.m. It was suggested that the Utility compile its questions regarding transmission issues and forward them to the Utility's Transmission Account Executive. The possible work in the Wauconda area was discussed. The Utility was urged to discuss the work with its Transmission Account Exec. as there very well could be a benefit to B.P.A. which could result in help with the project. B.P.A. already has a study completed a number of years ago for a line from Tonasket to Republic which will prove helpful. Based on his current schedule, Mr. Hustad will return to the District in 2007 to make an offer of a contract that would go into effect in 2011 for sixteen years. The contract would have a provision to relinquish exchange rights, have a high water mark and a choice of Tier 2 products to obtain from B.P.A.. Costs would be included as they would be provided at the time. B.P.A. will make a decision in July as to which years will be used in the calculation of the high water mark. Randy Sage returned to the meeting at 11:56 a.m. Mr. Sage reported that the Utility has the potential for another tap point on the Keller feeder from Grand Coulee to Keller as the Mt. Tolman Mine may become a reality. He questioned what the Utility's first steps should be in making certain that the Utility owns the line from the tap point to the user. The Utility has just secured 2.5 miles of line to the Mt. Tolman tribal facility and it would be beneficial to the Utility if it owned the line from B.P.A. to the substation. A sketch of the proposed line was requested to help in determining who will own the line. Based on previous estimates for the mine, the operation will require close to 10 megawatts of power. Manager Weller added that the Utility does have a letter from B.P.A. indicating that they will serve the load. Mr. Hustad indicated that such letters are still valid and he advised that Mr. Saven be made aware of this potential load. Mr. Hustad was thanked for his visit.

The meeting recessed at 12:10 p.m. for lunch reconvening at 1:25 p.m. with General Foreman Randy Sage joining the meeting.

#### Reports:

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

1. Outages occurred New Years weekend due to snow. The first outage was reported during the afternoon of December 30 and the final customers had their power restored late Sunday afternoon. Attention was directed to those areas with the largest number of customers without power, then peripherally to other individuals. Overall, everything went very well and we have received no negative comments with the exception of the morning visitors. The new meter reading system that the Utility has been looking into has the ability to identify those customers who do not have power as it can identify an operational meter. This would prove very helpful in resolving outages.

2. The crew has been concentrating on the Wauconda area as problems were identified during the outage. They have been installing off-set neutral brackets. Another area has just been identified where these brackets will be installed.
3. Two line extensions have been completed. One installation was at Curlew Kai and the other on Summer Road.
4. Pole replacements are being scheduled and planning will begin for the relocation of the wire to the new poles for the Buckhorn project.
5. The Sutton Meadows High Cost line extension was not completed in 2005. Forest Service approval has been obtained and all will be ready for the spring.
6. Will attend a meeting Monday, January 23 with the Ferry County Commissioners to present the Utility's proposal regarding line construction on primitive roads during their November 1 through May 1 moratorium. Okanogan County has a moratorium, however it runs from October 15 through March 15. A restricted period of November 1 through March 1 for work on primitive road would be acceptable to the Utility. The removal of the timber for a line extension in the Keller area has been stalled by the Tribes and no word has been received whether this issue has been resolved. The potential customer is willing to wait until spring for the work in order to have an underground system installed. If this is possible the work will not be encumbered by the Tribes.
7. The crew will be very busy this year. Work will be starting three to four months behind on the pole replacement program.
8. The service pole policy is working well. The Utility provides the pole, at the cost of \$1, and sets it and the customer transfers their equipment to the new pole. There have been a few instances where the customers were slow in transferring their equipment to the new pole.
9. The oil containment project is Staking Engineer VanSlyke's responsibility.

The Attorney's Report was presented by Attorney Steve Graham:

1. Attorney Graham recommended a thirty minute Executive Session to discuss potential litigation at 2:10 p.m. The meeting returned to regular session at 3:10 p.m. with General Foreman Sage exiting the meeting at this time.
2. Will be one of the new public defenders in Republic. This work will not conflict with his work for the Utility. In the event there is a Utility related case, the other attorney will be able to cover the conflict of interest cases.
3. No information has been received regarding the WISHA appeal.

Attorney Graham's service contract was briefly discussed. A motion was made by Commissioner Caudell to renew the contract at the current rate as stated in the Contract. The motion was seconded by Commissioner Kroupa and unanimously carried.

Attorney Graham was thanked for his time and he exited the meeting at 3:20 p.m.

Conservation Director John Friederichs joined the meeting at 3:25 p.m.

The Conservation Director's Report was presented by John Friederichs:

1. Participated in a Post 2006 Conservation Program conference telephone call. There is the possibility that the Utility may be able to use funds directly on the Hospital Solar project as well as the Granite Creek Dam project.
2. Approval has been received from the Tribes regarding the Dellwo easement and work will begin on this solar installation.
3. The USDA/RUS has yet to release the Notice of Fund Availability for the 2006 grant season.
4. There is no new information regarding the relocation of RWE Schott to this area.
5. Work is progressing on the legislation for the special needs transportation.
6. Based on the Granite Creek Dam project report the initial investment would be paid back in eleven years at the current utility rates and have a life expectancy of thirty to forty years. Mr. Friederichs will research potential grants to fund the project as well as visit with the City again.
7. A special telecom meeting will be held in Olympia this week to meet with Verizon representatives. Members of the Republic community and telecom committee will attend. Commissioner Caudell stated that he would be available to attend for the Utility as he will already be in Olympia.
8. Has researched the incentives and financial assistance available from B.P.A. for the Ferry County Memorial Hospital pool project. At this point the only assistance available is pre-construction consultation.

Mr. Friederichs was thanked for his report and he exited the meeting at 3:52 p.m.

Commissioners Reports:

Commissioner Ciais:

1. Would like to see the oil containment report on the February agenda.
2. Questioned whether the Board could receive copies of the new Union Handbook.
3. The NE WA Regional Transportation quarterly meeting will be held in Colville on January 18.

Commissioner Kroupa:

1. Nothing to report.

Commissioner Caudell:

1. Will be in Olympia the remainder of the week as well as February 2 and 3 and 16 and 17. Will travel to Washington, DC February 28 through March 2 and will participate in a CEO training seminar at Coronado, CA on February 13 and 14.
2. The Manager's review will be discussed at the February Board meeting.

The Board's representation to the various Trade Organizations for the 2006 year was presented for discussion. The representation will be as follows:

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

A motion to adopt the 2006 Trade Organization listing was made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously approved.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A thank-you has been received from Lisa Hunnewell with WPUDA for the floral arrangement sent in thanks for the work she and the staff did to put the conference together.
2. A thank-you has been received from a seasonal customer thanking the Utility for the great service.
3. The Utility's "Shop At Home" gift basket was won by Darcy Dirks.
4. A thank you has been received from a consumer who had the opportunity to work with staff and crew on the relocation of a power pole.
5. A note has been received from consumers expressing their thanks for all of the hard and tiresome work during the New Year's Eve outage.
6. Information has been received regarding the NWPPA resolutions which will be voted on at the annual meeting.

Meetings:

1. Harvesting Clean Energy will be held in Spokane on February 27 and 28. The Board was in concurrence that Mr. Friederichs could attend if possible.
2. Notification has been received from Federated Insurance regarding their annual meeting. The Board was in concurrence that Mr. Ken Sugden should again vote for the Utility if he will be attending.
3. The NWPPA annual meeting will be held in Lake Tahoe. All Commissioners as well as Manager Weller will attend. Manager Weller to make travel arrangements for Commissioners Kroupa and Ciais. Commissioner Caudell will see to his transportation.

General Business:

1. Mr. Bob Taylor, Kinross General Manager visited and advised that they have met with Okanogan County P.U.D. regarding the supply of power to the Buckhorn Mine. Okanogan P.U.D.'s line will be longer and more costly to install. Mr. Taylor will be contacting Senator Morton and Representatives Sump and Kretz and has already spoken with Okanogan County Commissioner Mary Lou Peterson. An e-mail has just been received from Okanogan County P.U.D. Manager Chuck Berry regarding a possible meeting while the Managers were in Olympia.
2. The Managers have been having bi-weekly conference calls to keep abreast of the legislative action.
3. An official letter has been received from B.P.A. regarding Clark P.U.D.'s issue.
4. B.P.A. updates their listing of long-term power purchasers every six months. There are no additions since July of 2005.
5. The 2005 APPA Governance Survey is available at the APPA website.
6. The APPA renewal notification has been received. The Utility received a two-year discount and the 2006 assessment is \$1,141.15. The 2005 assessment was \$1,037. A motion was made by Commissioner Caudell to again join APPA. The motion was seconded by Commissioner Kroupa and unanimously carried.
7. A letter has been received from David Hittle of D. Hittle & Associate advising that he will be returning to the business and assuming the responsibilities of Jeff shupe who has been working with the Utility.
8. The 2005 Summary of Gross Payroll was presented.

General Foreman Randy Sage joined the meeting at 4:55 p.m.

Mike Brown has obtained a price quotation on a used propane forklift and has had an opportunity to inspect the unit. The purchase price will be \$26,329 including sales tax. This amount is \$3,329 over the budget

figure. A brief discussion followed and the Board was in concurrence that this item should be purchased. Mr. Sage exited the meeting at 4:57 p.m.

9. An e-mail has been received regarding a liquidity tools workshop which is also known as customer prepayment. The Utility is not interested in prepaying their power bills.
10. The Utility has been asked to display voters support information for the upcoming Republic School Levy. Attorney Graham has advised that it is not acceptable to display such material however, employees may display, in their personal work area, support information as well as wear campaign buttons. Information was provided explaining what employees can and can't do with respect to campaigning.
11. Treasurer Jurgensen summarized the 2005 cash sheets and the summary revealed that the Utility collected .9889 of the total amount due.
12. Treasurer Jurgensen summarized the Treasurer's Monthly Funds from 1985 through December of 2005. As a comparison, in 1985 there were 2,229 consumers and fifteen full time employees and in 2005 there are 3,249 consumers and fifteen full time employees. The January 1985 total was \$1,417,432, in 1992 the fund reached \$2 million dollars and in 1997 it reached \$3 million and has remained at this level. The lowest balance was in January of 1986 which was \$992,897. The gross salary in 1985 was \$512,000.
13. General Foreman Sage and Manager Weller have been attending Homeland Security meetings. A grant application has been submitted to update communication systems. The Utility itself, including radios and repeaters has already expended \$68,000.
14. Attended a Hospital Pool meeting at which the aquatic director for the Ellensburg pool made a presentation on the pros and cons of pools. The County is developing a grant proposal for the project as the Hospital cannot own the facility. The Forest Service is willing to give another piece of property.
15. The new northeast Washington maps the Utility chose to advertise with have been received. The Board was in concurrence that Manager Weller may provide them to new line extension consumers free of charge.
16. A quick update on the Fritts family was made.

Due to the lateness of the hour, the Treasurer's and Auditor's Reports were reviewed briefly by the Board. Reporting information is as follows.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of January 10, 2006 were \$1,635,020.08 with restricted funds of \$1,390,307.78. There were nineteen outages in the month of December for a year-to-date total of one hundred twenty compared to one hundred thirty-nine for the same period in 2004. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved Payroll Warrants Number 008759 through 008777 in the amount of \$46,547.24 and 008778 through 008799 in the amount of \$51,877.69 and G&O Warrants Number 22925 through 23017 in the amount of \$141,618.43 by motion made by Commissioner Ciaias, seconded by Commissioner Caudell and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. The D. Hittle report was presented.

Commissioner Caudell reported that he did have an opportunity to visit with Mr. Tim Beckner regarding telephone use through a T-1 line. He suggested that the Utility again talk with NOANET. The Utility will need a T-1 line if the new computer system is out sourced.

Lobbying: None

With no further business to come before the Board, the meeting adjourned at 5:40 p.m.

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

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Vice-President

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager