

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
January 20, 2014

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:00 a.m. Present were Commissioners Kroupa, Doug Aubertin and Dan Fagerlie; Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke, Attorney Steve Graham and Secretary/Treasurer Jayne Jurgensen.

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

Visitors: Mark Ioli, Deana Zakar and Ernie Miranda all with Kinross Gold.

The minutes of the December were approved.

The meeting was turned to the visitors. An extensive explanation was presented and a lengthy discussion of the December 12 safety drill was held. Briefly discussed was the pending closure of the facility which is still anticipated to be mid 2015. The Utility was thanked for its quick response in dealing with the problem as presented. The visitors were thanked for their time in meeting with the Board and they exited the meeting at 9:40 a.m.

Public Comments: None

An Executive Session was not held.

Reports:

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

1. The information presented at the December Board meeting regarding the Thermo Scan and dissolved gas testing was discussed.
2. An engineering design is being developed for service to the Colville Confederated Tribe's communication equipment installation at the Keller water tank.
3. Continuing to work with the BIA on the Manilla Creek reroute.
4. A County Shoreline Permit has been obtained for the Valbush project on the Kettle River. Working with the Army Corps of Engineers and the State Fish and Wildlife on the project.
5. The Keller Substation transformers were degassed last summer and the same work is being scheduled for the Job Corps Substation.
6. An outage occurred at the Buckhorn Mine as a result of a transformer problem at the upper portal. The mine may confer with a consulting engineer to identify the problem as it is their own transformer. The transformer is a special configuration used only by the mine.
7. Idle transformers left in place were briefly discussed.

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

1. Information pertaining to a property dispute between Utility consumers was presented. The landowners responsibility in an erosion issue causing buried power cables to be exposed was also discussed. Mr. VanSlyke explained that he had viewed the damage and explained to the consumer that it was their responsibility to cover the cable.
2. A probate matter is being researched.

Mr. VanSlyke exited the meeting at 10:11 a.m. with a recess called at this time. The meeting reconvened at 10:23 a.m.

The Manager's Report was presented by Manager Friederichs:

Correspondence:

1. A thank-you was received from retired former employee Andrea Olson.
2. The Utility's new B.P.A. Account Representative, Nancy Schimmel, will visit the Utility in February along with Mr. Ken Hustad.

Meetings:

1. The Utility's representation at the various trade organizations was discussed and the Board concurred that all representation will remain was established for the 2013 year.

Representation is as follows:

| | |
|-----------------------|-------------------|
| WA P.U.D. Association | Fagerlie/Kroupa |
| P.U.D. Roundtable | Fagerlie/Kroupa |
| Energy Northwest | Aubertin/Kroupa |
| NWPPA | Aubertin/Fagerlie |
| P.P.C. | Kroupa**/Fagerlie |
| N.R.U. | Kroupa**/Fagerlie |
| TEDD | Fagerlie/Aubertin |
| Packwood Owners | Friederichs |

WA Association of P.U.D. Attorneys
Revolving Loan/Grant Committee
PNUCC (non-voting)

Graham
Kroupa/Aubertin/Fagerlie
Was dropped from the representation
**Attendance of quarterly meetings only

2. Manager Friederichs and Auditor Nush will attend several Union negotiation meetings through the month of February.
3. The Annual NWPPA meeting will be held in Billings, MT on May 18 through May 21. Commissioner attendance was not determined.
4. Commissioner Kroupa will attend the NRU and PPC meetings February 4 and 5 in Portland, OR.
5. The February WPUDA meeting will be held on the 19th through 21st. Commissioner Fagerlie will attend. A Manager's meeting has not been scheduled.
6. Commissioner Fagerlie added that he will attend the TEDD meeting in Colville.

The Board discussed legislation measures that may affect utilities.

General Business:

1. A billing for the County's E-911 dispatch support for the coming year has been received. Costs have increased to \$6,845. The total amount billed is paid over the course of the year.
2. The Utility's cost of power from B.P.A. was 3.3 cents per kWh for the month of December.

The Conservation Report was presented by Manager Friederichs:

1. It has been determined that the proposed LED lighting project may not be cost effective. The incentive payment from B.P.A. for the lighting change would cover between 25% to 30% of the Utility's cost. There is the possibility that LED lights could be installed over a period of years as it becomes necessary to repair yard lights. Testing of the various LED lighting has not been completed. We are looking at alternatives using existing B.P.A. incentives.
2. The State of Washington is reviewing the incentive payments received by the Utility from B.P.A. There is the possibility that the payments will be classified as income and subject to the public utility tax.
3. The proposed new line extension program was discussed. Items discussed included the securing of the loan by a mortgage, the minimum amount to be considered for a loan, and the interest rate to be charged and how it is determined.
4. A replacement vehicle for the Ford Explorer which was sold is being considered. The State purchasing program will be used. The process has changed and orders are now placed with the individual dealers. The vehicle will be used by the Engineering department and for travel to meetings.

Commissioner Fagerlie questioned if the Utility had received any response to the advertisement in the local newspaper for tree work. Manager Friederichs explained that the Utility advertises for Small Works applicants each year and the work includes tree trimming.

Commissioners:

Commissioner Kroupa:

1. Attended the WPUDA legislative reception in Olympia.

Commissioner Aubertin:

1. Attended no outside meetings.

Commissioner Fagerlie:

1. Attended the January WPUDA meeting and legislative reception. Information obtained at the meeting was presented. Legislative issues to be watched by utilities were discussed.

The February Board meeting, as regularly scheduled, will fall on Washington's Birthday which is an observed Utility holiday. The Board concurred that the meeting should be rescheduled to Tuesday, February 18.

The Treasurer's Report was presented by Jayne Jurgensen:

1. The Revolving Loan contract for the Friends of the Television Association was presented to Board President Kroupa for signature.

A recess was called at 11:30 a.m. with the meeting reconvening at 11:40 a.m.

The Board discussed at length the Storm and Vacation fund and the amount of funds to be held in this reserve account. Auditor Nush explained that the Utility may not qualify for FEMA funding in the future as funding is dependent on the estimated cost of the total disaster for all public assistance entities. Commissioner Fagerlie requested a 25-year budget history. Auditor Nush explained that history for that length of time was not available.

The meeting recessed at 12:05 p.m. for lunch, reconvening at 1:00 p.m.

2. Operating Funds available as of December 30, 2013 were \$2,471,654.43 with restricted funds of \$1,129,357.60. There were three outages in the month of December for a year-to-date total of one hundred forty-five compared to two hundred twenty-six for the same period in 2012. The Revolving Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed.
3. Work Order Report No. 371 in the amount of \$75,524.70 was presented for consideration.
4. The possibility of investing Utility funds, currently held by the State's Local Government Investment Pool, with another entity was presented. Historically, the Utility has had several long-term investments in place which generated a better interest rate and return on the money. Several years ago the Board directed that all such investments tied to Freddie Mac and Fannie Mae be sold in light of the increasing risk of the investment. A discussion followed with the Board concurring that Treasurer Jurgensen be allowed to invest a maximum of \$300,000 with an outside entity for a period not to exceed three years. Attorney Graham advised that there should be safeguards in place to reduce the possibility of self-dealing and that it was permissible for the Board to grant the Treasurer as much discretion as they wished.

Commissioner Kroupa exited the meeting at 1:30 p.m. returning at 1:31 p.m.

The Auditor's Report was presented by Sue Nush:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 11032 through 11158 direct payroll deposits numbers 902253 through 902287, Electronic Fund Transfer numbers 269 through 273 in the total amount of \$647,192.98 and void warrants numbers 11046 through 11048 and 10439 were considered for approval by a motion made by Commissioner Fagerlie and seconded by Commissioner Aubertin. The motion was then unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board with questions answered.
3. The 2011 and 2012 Budgets have been closed and the closing of 2013 is in progress. Copies of the 2011 and 2012 Annual Reports were distributed.
4. An update of the State Audit was provided. A 2012 storm work order was still open at the close of 2012 and the State has pursued the process.

Manager Friederichs reported that the Deputy Treasurer position has been filled by Pam Allen. Ms. Allen is currently employed by the Ferry County Hospital District and has asked for thirty days before reporting for work.

The Board requesting that Attorney Graham research what constitutes lobbying.

Commissioner Kroupa questioned the three Commissioner's attendance at the upcoming Utility sponsored Awards Dinner. Attorney Graham advised that so long as the Board did not seek each other out for conversation or sit together, they could all attend the dinner.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 2:45 p.m.

BOARD OF COMMISSIONERS
Public Utility District Number One
Ferry County, Washington

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager