

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
January 21, 2008

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:06 a.m. Present were Commissioners Chris Kroupa and Nathan Davis with Commissioner Caudell joining the meeting at 10:12 a.m. , Manager Roberta Weller, Attorney Steve Graham, Auditor Jennine Groth and Secretary/Treasurer Jayne Jurgensen. Conservation Director John Friederichs and General Foreman Randy Sage joined the meeting later during the day.

All stood for the Flag Salute which was lead by Commissioner Davis.

The minutes of the previous meeting were discussed and amendments made pending arrival of Commissioner Caudell.

Public Comment Period: None at this time.

Visitors: None

Reports:

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of January 10, 2008 were \$1,169,290.74 with restricted funds of \$1,320,697.91. There were nine outages in the month of December for a year-to-date total of one-hundred thirty-nine compared to one-hundred fifty-one for the same period in 2006. 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 Warrants Numbers 2422 through 2545, wire transfer numbers 23, 24 and 26 and direct deposits numbers 54 through 86 in the total amount of \$510,965.88 by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.
2. The Financial and Statistical Report was presented.
3. The D. Hittle & Assoc. report was presented and discussed.

Auditor Groth exited the meeting at 9:40 a.m. returning at 9:48 a.m.

Conservation Director John Friederichs joined the meeting at 9:45 a.m. for the purpose of presenting the Conservation Report.

1. Currently working with a local business to develop a promotional program for energy efficient clothes washing machines. The rebate has been reduced from \$150 to \$70.
2. Continuing to work with the Conservation District to develop an irrigation incentive program.
3. Working with Hospital Administrator Ron O'Halloran on the completion of State photovoltaic application forms for both the new assisted living facility and the Curlew medical clinic.
4. A news article pertinent to the anticipated wood waste-to-Methanol project was distributed. There is the possibility that the project may meet the guidelines for one of the TEDD financing programs.

Manager Weller interjected that she recently spoke with Ferry County Commissioner Blankenship. He expressed interest in a bio-mass project and will be working with the Forest Service on this possibility.

5. There has been no additional work completed under the High Cost Program. The final projects will be completed in the spring.
6. The CERB Grant application for the line extension to provide Columbia River Carbonates power was accepted as proposed. The Utility will receive a \$394,000 zero percent interest loan and a \$39,400 grant. Columbia River Carbonates will make an initial payment of \$60,000 at the time the contracts are signed and repay the Utility at a 1% interest rate. Arrangements have been made to have the transformers serviced and delivered to the Wauconda Substation. The bid documents for the line construction are being finalized in order to have a contract in place as soon as possible. Commissioner Kroupa added that attending the application review was very informative. CERB funding may be another avenue for the Utility to explore for additional line extension funding. Manager Weller added that the contract documents are to be reviewed by Attorney Graham when they are received.

Commissioner Caudell joined the meeting at 10:12 a.m. The items discussed prior to his arrival were summarized.

7. There still has been no response from the Google Energy Site regarding the wood waste-to Methanol project.

Commissioner Caudell questioned whether the PV system on the assisted living facility were functional as it is covered with snow. A brief discussion followed with Mr. Friederichs explaining that the panels are still able to produce energy.

The meeting recessed as 10:20 a.m. reconvening at 10:28 a.m. Mr. Friederichs did not return to the meeting.

The Minutes of the December Board Meeting were reviewed and corrected. A motion to approved the Minutes as corrected was made by Commissioner Davis. The motion was seconded by Commissioner Caudell and unanimously carried.

Commissioner Caudell directed Attorney Graham to review the B.P.A. contracts for the IOU's and public utilities. He explained that B.P.A. wanted to guard against the public receiving payments.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. The Winterfest Parade was held Saturday and General Foreman Sage had volunteered to drive the Utility's entry. He was called to an outage in Keller and his wife Suzie drove the mule. The Utility's entry won a \$25 gift certificate to Napa.
2. Mr. David Gardner sent a thank-you to the Commissioners for their time spent with him during his interview for the Manager position.
3. A thank-you has been received for the Board's generous donation to the Foster Home.
4. Mr. David Heinan with Youth Dynamics has written thanking the Utility for covering the cost of the connect fee and three months of basic charges needed to keep their activities bus heated. Manager Weller explained that she personally covered these expenses as a donation from the Utility Employees and also as her annual Christmas donation.
5. A letter has been received from the Pine Grove Water System Association advising that payments are now due. The water rates were increased at the Annual Association meeting held on January 9. The rate for residential service is now \$38 per month and commercial is now \$43. This system provides water to the Utility Shop.
6. A letter has been received from PPC thanking the Utility for renewing it's membership.
7. Information has been received from the Washington Ag and Forestry Foundation explaining ways to support the organization. The Board did not choose to support the organization.
8. A letter has been received from the Ferry County Chamber of Commerce asking the Utility to renew it's membership for 2008. A motion was made by Commissioner Davis to renew the membership in the amount of \$30. The motion was seconded by Commissioner Kroupa and unanimously carried.
9. A letter has been received from APPA requesting the Utility renew it's membership. The dues for 2008 will be \$1,380.80. The Board was in concurrence that the Utility will not renew this membership.
10. Notification has been received that the annual Federated Insurance meeting will be held in Anaheim, CA on February 26. The Board was in concurrence that Manager Weller be designated to vote on-line for the Directors.
11. APPA has provided per kWh revenue information for the year 2006 for full-service sales versus unbundled by state.
12. Letters have been received from both Benton and Franklin P.U.D.'s advising that they may have surplus electricity to sell. The Utility is to respond if interested.
13. A letter has been received from Mr. Thomas Krueger, Manager of Generation Resource Development for Energy Northwest advising that they are seeking to sell the rights to Satsop Generation facility. The Board was in concurrence that the Utility is not interested and Commissioner Kroupa may advise Energy NW of such if he is questioned.
14. A letter has been received from Rural Resources thanking the Utility for supporting their annual purchase of conservation materials. The letter further asked for \$1,000 and additional if possible. A motion was made by Commissioner Davis to sponsor the program in the amount of \$1,000. The motion was seconded by Commissioner Caudell and unanimously approved.
15. A letter has been received from Rose Parr the E-911 Coordinator explaining that it is necessary to upgrade the recording system. The Utility has been asked to pay one-quarter of the cost or \$1,318.10. This upgrade will be very beneficial to the Utility during times of outages.
16. Information has been received regarding the memorial service for former Grant County P.U.D. Commissioner Vera Claussen.
17. The Omak Chronicle published an article about the Utility's Public Rate Hearing. Commissioner Kroupa was quoted as saying "if there had been 200-300 of the 3,500 customers show up things might have been different".
18. A letter has been received from Mr. Lauren Roberts, Kinross General Manager advising that they are in agreement with the proposed changes to the Alpine Construction Contract for the Buckhorn underground line extension work.

Meetings:

1. Commissioner Caudell will attend the second WPUDA meeting.
2. Another notice has been received for the annual NWPPA meeting which will be held May 18-22 in Anchorage, AK.
3. Commissioner Kroupa will attend Energy NW meetings on February 23 and 24 as well as NRU and PPC meetings. A special NRU meeting to discuss NL will be held February 5 through 7.
4. The Utility is still involved in Union negotiations. Manager Weller and John Friederichs will attend a CWPU meeting in Ephrata on the 24th and 25th. All information will be presented at this meeting and the meetings on the 7th and 8th of February should see all matters settled. The current Contract will terminate on March 31 with the new one to take effect on April 1 for another three year period. There is the possibility that another meeting will be held in February.

General Business:

1. Wilson Construction has responded to the Marge Stanton Claim for pump damages. They have declined the claim as they feel that a line splice was incorrectly installed and pulled apart causing the outage. General Foreman Sage has spoken about the need for all irrigation customers to protect their own source. A copy of the letter Wilson Construction has written to Maureen Nichols regarding her claim for damages for hay loss was also received. Wilson Construction will reimburse Mrs. Nichols \$390 for her damages. Attorney Graham advised that he will review the Wilson Contract Indemnification Clause.
2. A letter was received from Mr. Dan Bowers with RUS stating that in November he sent a letter accepting the Utility's Long-Range Plan subject to an issue that he referred to his technical people for further review. The Long-Range Plan makes reference to 116 Volts as the Utility's minimum requirement and RUS requires 118 Volts. Staking Engineer VanSlyke has spoken with Power Engineers regarding this issue and Powers will prepare a letter of explanation. The voltage was determined by analysis and Powers recommends that the Utility operate the substations at 126 volts rather than 124 volts. The Utility isn't in compliance with RUS.
3. PCS periodically offers on-line classes for their customers and the Utility has begun taking advantage of such.
4. Toni Timberman, B.P.A. Transmission Account Executive has advised that B.P.A. will begin collecting under billed charges for past load billing issues. These charges will appear on the January B.P.A. Transmission bill and will amount to \$2,272.
5. The Department of Labor has signed the Easement for the Job Corps Substation. They are aware that the Utility is interested in purchasing the property. The footage was corrected to reflect the actual area used. A Job Corps well is located within the substation enclosure and will be excluded from the property purchase.
6. Those APPA resolutions approved in 2007 are available.
7. The Energy NW Annual Report has been received. Commissioner Kroupa is shown on Page 2.
8. The 2007 Gross Payroll and Annual compensation and supplemental leave bank and personal leave information was provided to the Board.
9. An overview of the recent WPUA Managers meeting was presented. The Managers will have four WPUA meetings rather than five. A Legislative conference call will be held every Wednesday morning to track bills. Eric Poulsen, WPUA Government Relations stated that this is the most challenging Legislative session he has seen. Pole attachments are a big issue, a hearing will be held on commissioners salaries and the audio taping of executive sessions is being studied. Attorney Graham interjected that governments State wide are considering this as violations continue to occur in executive sessions. The taping will help to monitor what is discussed. The idea is, that when an issue goes to court, the judge would be able to review the discussions. There would also be a record kept in those discussions of pending litigation. Commissioner Caudell added that he has discussed this issue with other commissioners and many are audio recording their public meetings. This gives the board a guarantee of what was said and when there is a public disclosure request the information is available. Other topics discussed at the WPUA meeting were water issues for water utilities, water rights and sprinkler systems.
10. The satellite phones will be removed from the trucks and replaced with the new cell phones. This change may require a new policy.

The meeting recessed at 11:54 a.m. for lunch. The meeting reconvened at 12:55 p.m. with General Foreman Randy Sage joining the meeting.

The meeting was opened at 1:00 p.m. for the purpose of opening the bids for the pole restoration work. Bids were received from Pole Maintenance Company of Columbus, NB and Osmose Utility Service of Tyrone, GA. A bid from Independent Inspection Company of Havre, MT was received after the bid closing date and time and will not be considered. General Foreman Sage was asked to review the bids and return to the meeting with his recommendation.

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

1. One short line extension was completed shortly after the first of January.
2. The crew has been working in the Toroda Creek area on pump banks and in Swawilla Basin on pole maintenance. Two additional days may be spent in the Silver Creek and Kuehne Road areas working on insulators and wire.
3. Are starting to retrieve materials from the San Poil Mill substation to be used at the Wauconda Substation for the 3-phase upgrade for Columbia River Carbonates. The transformers will need to be upgraded and made larger and the regulators, by-pass switches and breaker changed. Two separate price quotations have been obtained for the refurbishing of the transformers. This will include draining the oil, flushing tanks and an inspection of the internal connections. The transformers will be refilled with FR3 oil which is a pure vegetable product. T&R Electric in South Dakota quoted \$16,000 per transformer and Valley Transformer quoted \$8,000 per transformer. Both quotes include freight and the specifications for both are identical. The companies are responsible for the disposal of the oil containing PCB's. The units will ship this week and will be returned within twelve weeks. The San Poil Mill substation was again discussed with General Foreman Sage recommending that it be kept as it is in the event the materials are needed at another location.
4. Has selected an alternate route to Franson Peak and spoken with Verizon Wireless regarding a cost. Their

cost of installing wire from their existing T-1 line to the mountain top using the Utility's poles would be approximately \$30,000 and their tower requirements at \$50,000. The District's cost of construction of a new line would be approximately \$42,000. The Board was questioned whether they wished to move forward. If they opted to proceed, General Foreman Sage would contact the UTC to determine if they can be of help encouraging Verizon to participate. Commissioner Caudell encouraged the Board to move forward and suggested that John Friederichs, the Utility's grant writer, look into financing and funding for this type of project. Commissioner Kroupa directed General Foreman Sage to contact the UTC.

5. All documents developed by the Kinross Advisory Board have been completed and submitted to Kinross for their consideration. The Beal Pit remains in a transitional status and is the next item for the Advisory Board.

Commissioner Kroupa questioned the 116 volt recommendation made by Power Engineers versus the 118 volt RUS requirement. General Foreman Sage explained that the suggested voltage will work fine with our system.

Manager Weller presented the pump damage claim denied by Wilson Construction. The Utility's policy states that customers need to have protection due to lack of voltage on irrigation pumps. This would be a magnetic control to shut off the pump and not allow it to restart until physically restarted. Commissioner Kroupa questioned whether it would be advantageous to send letters to the irrigation customers explaining this requirement or publish an article in the newspapers. General Foreman Sage added that next winter this particular line will have three phases running to Wauconda, the poles will have three lines. The new line will be a single circuit 3-phases and the line is currently single circuit single-phase.

The new Large Power Report was brought to Mr. Sage's attention and he was asked for clarification. He explained that kW is the demand and the demand is actually what is used at a peak above normal demand. The load factor is a comparison between average load and peak load. ***Provided 02/19/08 for clarification- Maximum Kw demand is actually what is used at Peak Load during a specific period of time. Load Factor is the ratio of average demand to maximum demand.***

General Foreman Sage was thanked for his report and he exited the meeting at 2:13 p.m.

Manager Weller continued her report:

11. As the Board had requested, information is being gathered to locate an emergency auditor. The Washington Financial Officers Association has been recommended as has the State Treasurer's Department. Have also been provided the name of an employment specialist who will find whoever is needed. The Board was reminded that the requirements for an auditor must meet the State auditing standards.
12. The Utility's VEBA policy was explained. The need for a VEBA Retirement Policy to cover the Manager's retirement and anyone who may retire in the near future was explained. A proposed policy was presented and is as follows: "Any employee of P.U.D. No. 1 of Ferry County retiring between January 1, 2008 and December 31, 2010, will be required to cash out their Personal Leave Plan to VEBA (Voluntary Employee Beneficiary Association) Trust account established by the District. Funds so deposited shall be available pursuant to the terms and conditions governing the VEBA Trust and its administration". The Utility's Wellness Program pays into the employees VEBA account. It is not possible to have one person in a group therefore the Utility must have a policy in place. The VEBA funds are to be saved for retirement and are not to be used as some employees are currently doing. A motion was made by Commissioner Caudell to endorse the VEBA letter. The motion was seconded by Commissioner Kroupa and unanimously carried.

The meeting recessed at 2:29 p.m. reconvening at 2:38 p.m.

Manager Weller continued her report:

13. The Sick Leave Bank (SLB) process was explained. There are only two District employees who are still under this program. Those are Manager Weller and General Foreman Sage. The Union Contract provides direction as to how Union employees may use their SLB. The current policy allows only 30% of the sick leave hours to go into the VEBA account. A proposal was presented to the Board by which 100% of Manager Weller's SLB hours would go into her VEBA account. Commissioner Kroupa questioned whether there were legal aspects to this and whether the hours would be paid at the banked rate of pay or the current rate of pay. Auditor Groth advised the calculation would be based on the current rate of pay which will be 717 hours at \$46 per hour. The advantage of transferring the funds into the VEBA account is that they would not be taxed. No decision was made and the item will be added to the February Meeting Agenda. Attorney Graham requested the history of the plan for his research. Manager Weller stated that each employee is required to have a minimum of 40-hours of personal leave in the bank at all times.

The Attorney's Report was presented by Attorney Graham:

1. The Alpine Construction Contract amendment was presented. A letter was received from Kinross on January 21 advising that they are in agreement with the contract amendment. Another matter to be addressed is the need for a resolution establishing an emergency situation and waiving the bidding requirements in order to pay the increased costs. Commissioner Caudell questioned whether the

circumstances were due to things beyond the Utility's control and whether the Utility would be absolved of any infractions in the bidding process. Attorney Graham advised that the State Auditors may not be in agreement with allowing a fuel increase and may question what would happen if the cost of fuel were to go down. The Auditor's Office may not have an issue with a time extension or a change in the scope of work but to pay more for the same work as bid is only allowable in an emergency situation. The resolution is to declare an emergency exception to the public bidding laws in that Kinross wants work done immediately and the time frame does not allow adequate time to go through the whole public bidding process. Commissioner Caudell made a motion to develop a resolution for the purpose of declaring an emergency exception to the bidding laws. The motion was seconded by Commissioner Davis and unanimously approved.

2. Work continues on the petition being developed for the possible annexation of Okanogan County residents. The Okanogan County Prosecuting Attorney and Auditor have indicated that the petition must state the exact number of voters residing in the proposed area. The Okanogan County Auditor will provide this information but, due to other priorities, will begin the work in March.
3. A draft contract has been developed for the Department of Transportation's use of Franson Peak. The contract is being reviewed by the DOT who has now advised that the AAG has a concern regarding the use of the Utility's Contract. The possibility of using a State lease format was posed and a copy has been requested.
4. The status of the agreement between the Utility and the Republic School District was questioned. Manager Weller advised that the School Board has recently met and they were to make a decision.

The Board's representation to the various Trade Organizations for the 2008 year was presented for discussion. The representation will remain 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

Resolution 08-01 A Rate Increase was discussed. The Board reported that they received very little additional public input. A few of the irrigators stated that they were already paying a high Horse Power charge and did not want to see an increase. A motion to adopt Resolution 08-01 A Rate Increase was made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.

Commissioners:

Commissioner Caudell:

1. Attended the WPUDA meeting. Had the opportunity to sit in on a hearing. Testified against the proposed pole attachment bill which basically takes away a utility's ability to set rates on the pole attachments. A number of committees were very brief. The telecom committee discussed financing a public campaign to survey, primarily the west side of the state, to determine how receptive the public is to public utilities continuing to seek retail authority. A discussion was held by the entire Assn. regarding the possibility of public utilities purchasing Puget Sound Electric. No decisions were made.

General Foreman Sage entered the meeting room at 3:52 p.m.

2. The Interim Agreement issue is a utility by utility issue. Encouraged the Board to write a letter to B.P.A. in appreciation of their efforts and explain that any rate relief would be a benefit to our Utility. Commissioner Kroupa stated that he was in agreement with the writing of a letter and asked that the Board review the draft prior to sending.

Commissioner Davis:

1. Was not able to attend the TEDD meeting as it conflicted with a Board Meeting.

Commissioner Kroupa:

1. Attended the CERB meeting regarding the grant.
2. John Saven has questioned whether the Utility is interested in joining the LLC. LLC will help utilities if they need to purchase Tier 2 power. It will be possible to join the organization later if necessary.

General Foreman Sage reported that he reviewed the bid proposals for the pole restoration work. Osmose Utility

Service bid \$41,105.44 and Pole Maintenance Company bid \$43,800.00. General Foreman Sage recommended contracting with the lowest bidder as they have worked for the Utility in the past on various projects. Mr. Sage exited the meeting at 4:03 p.m. A motion was made by Commissioner Caudell to accept the bid from Osmose Utility Service. The motion was seconded by Commissioner Davis and unanimously carried. Manager Weller added that the RUS did provide authorization for this work as they prefer the poles be replaced rather than stubbed.

The Board went into Executive Session at 4:06 p.m. for fifteen minutes to discuss a personnel issue. *Those remaining were Commissioners Kroupa, Davis and Caudell, Manager Weller, Attorney Graham and Auditor Groth. Jayne Jurgensen exited the meeting. The Board came out of Executive Session at 4:30 p.m. to extend the Executive Session for another fifteen minutes. The Board came out of Executive Session at 4:45 p.m. to extend the Executive Session for another fifteen minutes.* The Board returned to Regular Session at 5:01 p.m.

Andrea Olson was asked to the meeting at 5:04 p.m. for the purpose of taking pictures of Commissioner Kroupa presenting Manager Weller a plaque from the WPUA for her time in service. Mrs. Olson exited the meeting at 5:05 p.m.

A motion was made by Commissioner Davis to accept the Auditor's letter of resignation. The motion was seconded by Commissioner Kroupa and passed with Commissioners Kroupa and Davis voting in favor and Commissioner Caudell voting against. Commissioner Caudell stated that he would like to go on record as saying that he greatly appreciates the service to the P.U.D. and knows that the people from District 3 have benefitted greatly. Mrs. Groth has been a stellar employee and wished the best to her and her family. Auditor Groth took this opportunity to distribute information pertinent to the new PCS computer system and the status of the conversion. Commissioner Kroupa then instructed Manager Weller to proceed in looking for a replacement. Advertisements will be placed in those publications that were used to advertise for the Manager position. Manager Weller recommended advertising for a two week period. She further questioned whether Commissioner Kroupa had any idea what would happen day after tomorrow when Auditor Groth would not be at work. Commissioner Caudell recommended not hiring Mr. Friederichs and opening the advertisement back up for a Manager. Manager Weller stated that there are certain job duties that Mrs. Olson is not able to handle and the Manager will do what she can for as long as she is with the Utility. She added that she wanted the Board to know that it would not be an easy time and there may be problems along the way.

Commissioner Kroupa asked his fellow Board members to review the Board Members Handbook. He added that he would like to see the Board make an attempt to resolve issues and hoped that reviewing the Handbook would help.

Resolution 08-02 Appointing a Manager was presented. Corrections to the wording are to be made prior to Board signing. A motion was made by Commissioner Davis to adopt Resolution 08-02. The motion was seconded by Commissioner Kroupa and passed with Commissioners Kroupa and Davis voting in favor and Commissioner Caudell voting against. Commissioner Caudell made the following statement "I don't feel the rate payers of Ferry County P.U.D. have been well served by the choice of the Board by hiring a Manager as less qualified than many of those that applied to fill the vacancy or of our retiring Manager Bobbi Weller. After many workshops and a survey of employees, the Board determined the priorities needed for qualified candidates and felt someone with extensive human resource background was needed due to current personnel problems. It was also determined the successful candidate should have an extensive financial background due to the unstable financial situation of the Utility and 20-year B.P.A. contracts coming up. I believe the resignation of the current auditor is a direct result of this decision which puts our Utility at risk. I do not think this is a good decision and does not satisfy the criteria agreed upon for a successful Manager and cannot in good conscious support this decision."

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 5:38 p.m.

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

President

Vice-President

ATTEST:

Secretary

APPROVED:

Manager