

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY  
REGULAR MEETING OF COMMISSIONERS  
February 17, 2009

The regular meeting of the Board of Commissioners was called to order by President ~~Chris Kroupa~~ **Nathan Davis** at 9:02 a.m. Present were Commissioners Nathan Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Auditor Rory Miller, Engineer Steve VanSlyke and Secretary/Treasurer Jayne Jurgensen.

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

Public Comment Period: None.

Visitors: Cleve Ives, Brenda Starkey, Linnet Botkin, Frank Rounds, Jr., Jennine Groth, Bobbi Weller and Gregg Caudell

The minutes of the previous meeting were approved.

Attorney Graham was unable to attend the meeting but he provided the following clarification to the January 19, 2009 Minutes via email:

Reference to the presentation made by Mr. Alex Wirt, Chairman of the EMS District -

“I recall at the meeting that I warned that sometimes on these things, the “devil is in the details and my recollection was that the Board was a little more equivocal. I recalled the motion carried that idea or condition something along the lines of provided that details of the Boards stated concerns and questions could be worked out to Mr. Friederichs and Mr. Graham’s satisfaction. Without this caveat, the EMS District could look at this thing as a “done deal when in fact the concerns are still being worked out, and were still being addressed at the meeting with the County officials on January 26th.

As to the Eagle Race track “Mr. Graham asked Mr. Sattler about more details of the proposal, after which Mr. Graham concluded that he thought that the P.U.D. work on the County property would be lawful as the County is another governmental entity. To further clarify, Mr. Friederichs received an email from Mr. Graham that he had thought further on the proposal that the President of the Eagles Race Track Association made last month. Mr. Graham indicated that he was of the opinion that having the P.U.D. do the work of installing lighting at the race track was lawful because the track was owned by another governmental entity, i.e. the County.”

Upon the completion of introductions, the visitors were given an opportunity to speak.

Mr. Ives explained his role in passing on former Commissioner Caudell’s email. He further explained that the comments contained in the email were not necessarily his own. He encouraged the Board to provide financial information to the public. His closing comments indicated that he felt the Board’s decision to use the B.P.A. monies as they have outlined was a more wise decision.

Mrs. Botkin questioned the status of the new commissioner for the newly annexed consumers residing in Okanogan County. The Board provided details on this matter. Mrs. Botkin went on to request a refund of the B.P.A. settlement.

Mr. Rounds requested a map of the newly annexed area of Okanogan County that includes Highway 20. He spoke in favor of the Board immediately refunding the B.P.A. rebate. He encouraged the Board to worry about the upcoming B.P.A. rate increase when it occurs rather than before.

Mrs. Groth presented the following letter to the Board, asking that it be included in the minutes:

**“February 17, 2009**

**Dear Commissioners,**

**I am here to discuss PUD Commissioner Nathan Davis’s Letter to the Editor in last week’s Newminer. I believe it is misleading and he has taken some numbers out of context. I had no intention of coming to this meeting until I read this Letter to the Editor. Referring to operating margins in the red since 2003, that is true. He is pulling 1 number out of a detailed income statement so the consumer is not getting the whole picture. For example, the PUD had interest from investments he did not take into account. And the operating margins take into account Depreciation Expense which does not include dollars actually going out the door, but an accounting process. Yes, the PUD was every year trying to be frugal and not have to put a rate increase on the consumers in these hard times, and the PUD was**

patiently waiting for Kinross to come on line. And with the help of other accountants and consultants in the industry the PUD was able to avoid an increase in rates until 2008. The commissioners knew the status of the PUD every month and approved the budget every year. I truly believe the 3 commissioners serving at that time were concerned about the economic situation the consumers felt, and tried to keep their best interests in mind and avoid a rate increase every year.

During the rate hearing Jan 8, 2008, the commissioners listened to concerned citizens about the rate increase, due to a possible \$150,000 budget shortfall. The PUD could no longer use reserves and have negative margins. The BPA settlement dollars were discussed and returning the money to the rate-payers was discussed by the commissioners along with taking the rate increase away. In the Dec. 2008 board minutes on the website, the commissioners directed the staff to figure out how to spend a \$251,000 over budget that occurred in 2008. So 2008 was a much better year than expected. I feel the first act of business should be to decrease the billing rates since the whole purpose of the rate increase was to take care of a budget shortfall.

Now concerning the BPA settlement dollars. From talking to Jayne Jurgensen, the Sec/Treas, on Fri. Feb. 13, 2009, the PUD will receive thru the end of 2009 a total of \$559,929, which includes \$285,873 in checks already received and a total of \$274,056 divided over 12 months as a credit on the BPA power bill to the PUD. BPA overcharged the PUD over a number of years. So this means the PUD overcharged each and every ratepayer during that time frame. It makes sense that the dollars, over half a million, the PUD received from the BPA settlement is actually the ratepayers' money. These funds need to go back to each ratepayer. Our neighboring PUD, Okanogan PUD, has already put into action a plan to get the funds back to their ratepayers. Ferry County PUD should do the same and I feel these commissioners should put their ratepayers, whom each of you represent, first and foremost and return the BPA settlement funds to each ratepayer.

In conclusion, I am hoping today to hear from each commissioner on their view of this topic. And 1) I am requesting the commissioners immediately return the billing rates to pre 2008 for the ratepayers, and 2) the commissioners and PUD staff diligently figure out a plan to return to the ratepayers the BPA settlement funds that is rightly each ratepayer's.

Thank you for your time. Jennine Groth, concerned ratepayer and past Auditor/Office Manager"

Commissioner Davis advised that discussion would follow the balance of the comments.

Mrs. Groth spoke further on her dissatisfaction with the Board's lack of response to her previous complaint regarding the Utility's current vendor who has been selected to process the monthly billing statements. Manager Friederichs spoke briefly on the subject.

Mrs. Weller presented a letter to the Board as well as reading it. Her letter is as follows:

February 17, 2009

Board of Commissioners  
PUD No. 1 of Ferry County  
Republic WA 99166

Re: BPA Settlement Dollars

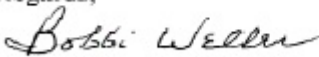
Gentlemen:

I would ask that you give serious consideration to refunding back to the consumers, the settlement dollars the District received from BPA. It is the right thing to do, and now is the right time to do it. Our neighboring Utility, Okanogan PUD, has already commenced the procedure for its consumers. Follow their lead.

I would also ask that the next time a Letter to the Editor is submitted to a newspaper by a Commissioner, it be complete in its contents and the explanations covering said contents. To make a statement of "Our operating margins have been in the red (\$789,039) since 2003 and our future decisions need to be responsible" implies to the normal guy on the street that the District has no money and has been in the hole since 2003 and the decisions made up to now have not been responsible. I take exception to that.

Thank you for your consideration.

Regards,

  
ROBERTA B. WELLER  
Retired PUD G.M.

Gregg Caudell graciously thanked those present for attending the meeting. He spoke on his desire to see that the Board immediately refund the B.P.A. monies.

Mr. Lloyd Odell, representing Ferry County Pride Month and the Ferry County Spring Conservation Fair stated that he would like to ask the Board for a donation for these events. Commissioner Davis advised that the Board would consider his request later in the meeting.

Manager Friederichs summarized a letter of February 13, 2009 from the Utility's B.P.A. Power Account Representative, Ken Hustad. The refunds received by the Utility were initiated by an opinion issued by the Ninth Circuit Court of Appeals on May 3, 2008. B.P.A. implemented the court ordered Residential Exchange Program through a formal rate making process called WP-07 Supplemental Rate Case. Under this rate case, B.P.A. provided refunds to public customers for FY's 2007 and 2008; reduced B.P.A. wholesale rates in FY2009; and established a mechanism for returning additional funds during FY2009 and the next six (6) years that are associated with B.P.A. customer overpayments from FY2002 through FY2006. The FY2002-FY2006 period is referred to as the Look Back period. B.P.A. will also be resetting the amounts to be refunded to customers for the Look Back period. The funds that the Utility has received include an interim payment of \$228,418 made in April of 2008, a true-up payment of \$56,566 made in October of 2008 and a payback to B.P.A. of \$889 for a total of \$284,984. Effective in October the Utility's B.P.A. power rate was reduced by approximately 1% which resulted in a monthly billing credit of \$22,838. It was stressed that the WP-10 Initial Proposal calls for a reduction in the annual Look Back refund amounts from \$154,000 in FY 2009 to approximately \$72,000 per year. This proposed change suggests that the Utility's monthly bill credits will be reduced to approximately \$10,600 beginning in October of 2009. In addition, the rates proposed would increase the Utility's wholesale power provided by B.P.A. by 10.2% or approximately \$190,000 per year.

Commissioner Kroupa stated, to make his opinion clear, that since the closing of Vaagen's Lumber Mill in 2003 in order to avert significant rate increases the Utility has been using reserves and interest from the reserves because the actual operating budget was a little over the income. Therefore, in order to keep from raising rates the Utility has reduced its reserves from \$3,493,586 in July of 2003 to \$2,379,225 in December of 2008 for a difference of \$1,114,361. Investments have not been reinvested but have been used to cover the operating expenses of the District. Mrs. Weller and Mrs. Groth were still with the Utility when the Utility was notified of the B.P.A. repayment. At this time the Utility consulted with D. Hittle & Associates who, at that time was the financial consultant for the Utility, and was advised that putting the \$300,000 back into the reserves to replenish the funds was a wise step to take. Kinross has begun operations but this has not made a significant impact on the District's financial standing. Commissioner Kroupa stressed that the proposed payments covering the next six to seven years is only a proposal. The Utility will learn the true status of future payments and the actual rate increase on July 21, 2009.

Mr. Caudell advised that Verizon and AT&T were both sued by a consumer group which caused them to repay a significant amount of money. He further provided his thoughts on how the Board could reimburse current customers, excluding those that had moved from the area. He further disputed Commissioner Kroupa's statement that the Utility had used the reserves over the past five years. He concluded by advising that the reserves had been built with good management and leadership.

Mrs. Groth again stated her position on the immediate refund of the B.P.A. repayment stressing that other utilities are doing the right thing.

Cleve Ives and Bobbi Weller exited the meeting at 9:55 a.m.

Mr. Caudell again emphasized to the Board his feelings on the refund of the B.P.A. money. He encouraged the Board to become more active and to attend more meetings as the more meetings they attend, the more money they make. He stressed his leadership as past President of the Washington P.U.D. Association and what that organization has accomplished with the help of other small utilities such as this one.

Commissioner Davis restated that, when the B.P.A. money was first received it was not certain whether this amount was correct and would have to be repaid. Prior to any final determination on the actual amount the funds were set aside and invested. A second payment was received in October which was also set aside and invested. A portion was repaid to B.P.A. and it is still not clear whether the funds received to date are correct or will be repaid. A refund followed by a rate increase or if not a rate increase, further depletion of the reserves would be questionable business decisions.

Mr. Rounds and Mr. Caudell both exited the meeting at 10:09 a.m.

Commissioner Davis provided information on the 20-year B.P.A. contract recently signed by the Utility as well as the process in place to determine the High Watermark. The year 2010 has been selected as the base High Watermark Year.

Mrs. Groth again restated her desire to see the funds refunded to the consumers. She urged the Board to not consider or attempt to predict what may be coming in the future but deal only with today. Mrs. Groth also expressed her displeasure with the lack of information and accuracy of information contained on the Utility's website.

A recess was called at 10:25 with the meeting reconvening at 10:32 a.m. Mr. Odell, Mrs. Starkey and Mrs. Botkin did not return to the meeting.

Mrs. Groth again spoke to the Board stating that Mrs. Weller was not pleased with Commissioner Davis' recent article in the local newspaper. Commissioner Davis advised Mrs. Groth that he had been stating the facts as they had been presented and had not intended to offend Mrs. Weller.

Commissioner Aubertin stated that he has been reviewing the financial statements and the income has been steadily dropping. The Board has been faced with difficult decisions to make and the Utility has been operating in the red. Rates were not raised and money has been spent. He stated that he feels it is reasonable to increase the reserves with the B.P.A. refund as the consumers have already received the benefit of this refund through the Utility not increasing rates when it should have.

The Board and Mrs. Groth discussed possible means to keep the public informed of the Utility's financial status. Mrs. Groth further questioned the Auditor's report from the December 2008 Board Meeting Minutes. Specifically, she stated that the minutes read that the District had gone over budget and that it had been recommended that staff develop plans to utilize the surplus. Auditor Miller explained that the term "over budget", as stated in these minutes, meant that the Utility had spent more than its planned budget and that there was not a surplus in 2008. Mrs. Groth again questioned whether the Board was planning to change the method by which the month billing statements were processed. She further detailed her desire to see a change made and provided information as to why the local vendor was not selected by then Manager Weller and herself.

Engineer Steve VanSlyke presented a report on the line extensions completed in 2008. He proposed to keep the line extension costs at the current rates of \$9.50 per foot for single-phase overhead and underground. All three-phase projects will continue to be presented to the Board for approval with the rate of \$15.00 per foot used. Mrs. Groth questioned the process and funding for both regular line extensions as well as those funded under the grant program. Mr. VanSlyke exited the meeting at 11:02 a.m.

#### Reports:

The General Foreman's Report was presented by Manager Friederichs:

1. Transformer serial numbers and meter reading verification work continues.
2. The crew is replacing poles and arms where needed. They *have almost completed* those poles identified during the 2007 pole testing and are nearing those identified in 2008.
3. Not a significant number of work orders to complete.

The Manager's Report was presented by John Friederichs:

#### Correspondence:

1. The letter for B.P.A. Power Account Representative Ken Hustad was briefly discussed.
2. An email received from Mrs. Linnet Botkin requesting a refund of the B.P.A. monies was briefly discussed.
3. A thank-you has been received from the Ferry County Cattlemen's Association for the Utility's participation in the auction held at their annual meeting. Engineer VanSlyke's oldest daughter donated a hand made bag. Commissioner Kroupa reported that he also donated pottery to the auction.
4. A letter has been received from a consumer thanking the Utility for keeping the power on during the difficult times and questioning the information regarding the B.P.A. refund. A letter has been sent to this consumer detailing the B.P.A. refund situation.
5. A request for financial support of the Ferry County Pride Month and the Conservation Fair has been received. The Fair will be held on April 18 at the fairgrounds with Engineering Tech Ed Forsman responsible for the Utility's exhibit. A motion was made by Commissioner Kroupa to support the event in the amount of \$100. The motion was seconded by Commissioner Davis and unanimously carried.

#### Meetings:

1. The March WPUDA meeting has been scheduled for the 19<sup>th</sup> and 20<sup>th</sup>.
2. Commissioner Aubertin reported that he has received information regarding the Annual NWPPA meeting which will be held in Boise, ID May 17 through the 21. No decision was made regarding Board attendance.
3. The Revolving Loan Committee will meeting February 25. The purpose is the review of a proposal from the City of Republic for the retrofitting of the Golden Age Club building into police headquarters; a proposal from the WSU Extension Office for an energy audit program.
4. Scheduled to meet with County Commissioners regarding EMS matter on February 23.

#### General Business:

1. Mr. Dan Bowers with RUS visited the Utility for the Civil Rights Review. Two minor items were identified and corrected immediately. Information regarding the cushion of credit account was provided.
2. The proposed B.P.A. rate increase was briefly touched upon.
3. University of Washington College of Forest Resources has developed and appropriations request which was submitted to Senator Murray for the biomass to energy project.
4. Commissioner Aubertin's laptop computer has been made ready for use and training has been scheduled. The Board was cautioned regarding use of their P.U.D. provided computers for personal business.
5. The brush treatment bids are all under the Small Works program due to the dollar value. Seven

responses have been received.

The Conservation report was presented by Manager Friederichs:

1. Very little activity.

The Attorney's Report was not presented due to the absence of Attorney Graham.

Commissioners:

Commissioner Aubertin:

1. Attended the early WPUDA meeting and Orientation for New Commissioners.

Commissioner Kroupa:

1. Attended the Energy Northwest meeting. Information from the meeting was presented.
2. Attended the NRU and PPC meetings. Primary topic of conversation was the B.P.A. rate case and the high water mark year. Some of the larger utilities are now attempting to have the high water mark year changed from 2010 to an average of 2007 and 2008. No decisions have been made.

The meeting recessed at 12:00 noon reconvening at 1:03 p.m. with Mrs. Groth returning to the meeting.

Commissioners continued:

Commissioner Davis:

1. Attended the TEDD meeting with a recap presented. Manager Friederichs provided an update on the renovation of the Hitch n'Post Restaurant.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of February 10, 2009 were \$1,154,598.95 with restricted funds of \$1,217,828.11. There were ten outages in the month of January for a year-to-date total of ten compared to five for the same period in 2008. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. The possibility of submitting the two High Cost Loan participants to collections was presented. No decision was made pending information from Attorney Graham
3. Work Order number 351 dated November 30, 2008 in the amount of \$65,983.10 was presented and approved by a motion made by Commissioner Davis and seconded by Commissioner Kroupa.
4. Information was presented regarding transitioning the Utility's banking methods to a fully on-line method. Also presented was a pricing proposal to move all banking business to U.S. Bank. No decision was made pending further review.

The Auditor's Report was presented by Rory Miller:

1. The voucher listing was reviewed with the Board and questions answered. The listing was brought current as omissions had been made due to imperfections in the report writing program. Warrants Numbers ~~3829, 3830 and 3904~~ **3952, 3953 and 4041** through ~~4040~~ **4156**, direct payroll deposits numbers ~~9900355~~ **9900382** through ~~9900381~~ **9900413** and wire transfer numbers ~~55, 56 and 57~~ **58, 59 and 60** in the total amount of ~~\$586,471.09~~ **\$632,653.48** were approved by a motion made by Commissioner Kroupa, seconded by Commissioner ~~Davis~~ **Aubertin** and unanimously carried.
2. The Financial and Statistical Report was presented.
3. The Utility's RUS debt and loan analysis was discussed.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 2:28 p.m .

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

\_\_\_\_\_  
President

ATTEST:

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

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager