

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
February 20, 2007

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, Gregg Caudell, and Nathan Davis, Manager Roberta Weller, Attorney Steve Graham, and Secretary/Treasurer Jayne Jurgensen.

Visitors: None

All stood for the Flag Salute.

The minutes of the January meeting were discussed. Commissioner Davis questioned the condensed reporting of a very lengthy discussion. Commissioner Kroupa provided guidance from Roberts Rules of Order in which discussions are brought before the Board through a motion, second, discussion and vote.. Commissioner Caudell recommended that, in the event a Commissioner wished to see specific wording of a discussion in the minutes, that person could state "let the minutes show". Commissioner Davis advised that he will, in the future, advise when he wishes specific wording included in the minutes. A motion to approve the minutes as presented was made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Manager Weller advised that Bill Knutz and Mike Brown will be joining the meeting later for the purpose of receiving personal awards.

Reports:

Conservation Director John Friederichs joined the meeting at 9:15 a.m. for the purpose of presenting the Conservation Report.

1. To date, that has been no interest shown in the tax credit.
2. Several individuals have been provided information pertaining to the Renewable Energy System Cost Recovery Program and no one has entered into the program.
3. The Public Utility Tax Credit for Transportation Services (SB5454) has been introduced in the Senate by Senator Morton.
4. The Post 2006 Conservation Program is moving along. A contractor for PEI has measured the cooler doors of those participating area consumers for the installation of new gaskets. In the future, any contractors performing work under this program will work through the Utility.
5. A one-day B.P.A. workshop has been scheduled for February 27 to learn more about their new Commercial and Industrial Lighting Offer (C&ILO). This program may be beneficial to the Republic Schools as they are interested in a lighting retro-fit.
6. Have been contacted by a member of the local Fire District regarding their planned construction of an energy efficient new fire hall. The plans will be reviewed and recommendations made.
7. The Hospital Photo-voltaic system installation will be scheduled when weather permits.
8. Have been contacted by the Director of Business for the American Hydrogen Association Northwest regarding the wood waste-to-Methanol project. The Association is interested in building a pilot project in Eastern Washington and have been looking at the Kettle Falls area.

Commissioner Caudell questioned whether the Utility would be eligible for Green Credits if it completed conservation work that was not covered under B.P.A.'s program. If this were possible the Credits could then be traded to other utilities in need of such Credits.

9. Australia has banned the use of incandescent light bulbs and they will not be allowed after three years.

Mr. Bill Knutz joined the meeting at 9:30 a.m.

Commissioner Caudell questioned the status of the line extension program and asked that Mr. Friederichs and staff develop a proposal for future projects.

Mr. Friederichs was thanked for his report.

Manager Weller explained to the Board that several years ago Mr. Knutz completed the Apprenticeship Program and had never received his certificate of completion. The Certificate reflects the completion of 6,246 hours of training and school instruction and recognizes Mr. Knutz as a journeyman Lineman effective March 28, 2002. Board President presented the Certificate to Mr. Knutz with pictures taken.

Mr. Knutz and Mr. Friederichs both exited the meeting at 9:41 a.m.

Manager Weller advised that the Treasurer and Auditor would no longer be presenting their reports during the meetings. The reports are to be reviewed by the Board prior to the meeting and questions will be answered during the meeting.

Attorney Graham exited the meeting at 9:48 a.m.

Commissioners Reports:

Commissioner Caudell:

1. As President of WPUDA, traveled to Washington DC to meet with congressmen and delegate aides regarding the residential exchange negotiations with B.P.A. At the present time, the State Association is working with Mr. Steve Wright on the matter.
2. There is an interest in the WPUDA to form a grass roots organization although this is moving slowly.
3. The Board was asked to consider adding a comment or a line item on the monthly billings showing the amount of the residential exchange in our rates. The Utility web site should also include information on the residential exchange. Commissioner Kroupa stressed the need to provide factual, accurate information to our consumers. Commissioner Caudell reminded the Board that the Regional Act is the law and it contains a formula for B.P.A. and B.P.A. should be required to comply with the formula. He further suggested that the Board prepare a

resolution to be sent to Steve Wright advising that the Utility expects him to recognize the original position and to comply with the original benefits as prescribed by law. It would be appropriate for the Utility to keep out of the public eye locally. A motion was made by Commissioner Caudell that B.P.A. recognize their original position of the Public Power Council's comments on Residential Exchange and that B.P.A. stick to the Regional Act and the minimum IOU benefits to residential and farm customers of the IOU's allowed under the law. Manager Weller interjected that a Resolution speaking to this matter has been prepared for the Board's consideration. Resolution 07-03 was reviewed by the Board and changes in the wording made. Commissioner Caudell withdrew his initial motion in favor of adopting Resolution 07-03 "A Resolution Opposing Increased I.O.U. Benefits". The motion was seconded by Commissioner Davis and unanimously approved. The Board continued to discuss the issue and how to effectively provide the information to the Utility's consumers. Manager Weller will develop a newspaper article or advertisement and email to the Board for their approval.

4. Has an executive telephone call every Wednesday from the WPUDA. Primary topic of conversation is legislature. There are quite a few issues that will affect public power, several of which deal with telecommunications. The WPUDA Telecom Committee is doing a very good job and the white papers which have been developed will be made available to the Board.
5. Dave Warren, WPUDA's Government Relations person has asked for permission to drop a title only telecommunications bill as a place holder. This can be a dangerous step as anyone can put content into the bill. He was, however, given permission.
6. Will be traveling to Washington, DC March 11 through 15 for the WPUDA to attend APPA meeting. Will make own reservations and register for meetings.
7. The changing climate is becoming a very big issue in the State Legislature. A study group is being developed with representation from different sectors of industry. They will be studying the two presented options which are how to proceed into the future and a cap placed on trade emissions and load based incentives. This area's primary generation sources being hydro and nuclear is considered clean while most of the nation's source is from coal. There is the possibility of clean entities receiving credits which could be traded to polluters to help offset their expenses.

A brief recess was declared at 10:37 a.m. with the meeting reconvening at 10:42 a.m. with Mike Brown and John Friederichs joining the meeting.

President Kroupa presented a 5-Year Award to Mike Brown. Pictures were taken by John Friederichs. Mike and John exited the meeting at 10:43 a.m.

Commissioner Davis:

1. A motion was made to discuss issues. Commissioner Caudell questioned the motion procedure. Commissioner Kroupa cited Roberts Rules of Order information. He stated that everything brought up for discussion is to be done so through a motion. However, in smaller bodies this is overlooked and issues are simply brought up for discussion with action taken after the discussion if necessary. Commissioner Caudell reminded the Board that everything goes into public record and that he would guard against being informal. He recommended that the Board follow Roberts Rules of Order as matters can be very confusing when there are differences of opinions.
2. Commissioner Davis made a motion to make direct deposit an option rather than a mandate. The motion was seconded by Commissioner Kroupa with a discussion following. Commissioner Davis reported that from looking at the issue, the prospect of making it mandatory that employees directly deposit their pay checks is not absolutely necessary. He has also done some research into the matter personally and asked to hear the comments from fellow Commissioners. Commissioner Caudell stated that he is currently having his salary pay check directly deposited. Commissioner Kroupa stated that it is his understanding that this will be the way the new computer system will be working and that some employees don't like the change and want to have the choice. He further added that he has been personally dealing with direct deposit for three to four years and was a bit worried initially but has had no troubles. He understands that people want power of their own decisions and is not certain why there are the issues as he feels that it's a good deal. Commissioner Caudell again stated that he has had Deputy Auditor Schertenleib depositing his checks directly all the time. He asked that Manager Weller explain the current policy. Manager Weller explained that payroll checks are printed and on pay day they are handed out. There are those people who have instructed someone to deposit for them, and, (the payroll clerk cannot do this as she can't handle them anymore as there has to be a break), either the Manager or Auditor make deposits for employees. The current computer system does not permit the Utility to offer direct deposit and the new computer system will now make it possible. She further explained that she made the decision that all checks would be direct deposited as this will save in printing and writing checks. Over the last few years the check distribution system has changed and linemen now make a point of coming into office to pick up their checks. This is an interruption for the Manager and Auditor. During these visits the crew visits with people in the office and have, on two occasions, been found having lunch for an hour rather than the scheduled one-half hour. The Utility is not getting a full day's work from the crew. The Union took issue with the notification of the change as made by the Manager and the Union Representative has contacted the Manager with a meeting scheduled to discuss the matter. The process is negotiable although CWPU negotiated the process twenty years ago. The new process won't start for several months and will require that everyone's check be direct deposited. For a period of time the checks can be handled as they are currently but at the end of a specific period of time the checks will no longer be printed. The reason being time and expense. Commissioner Caudell questioned whether any of the salaried positions had issues. Manager Weller stated that she assumed no as no one had talked with her. She added that the Utility did check with other utilities and they laughed at the situation. She was told that their Union guys had the same concerns as ours i.e., that funds wouldn't be in bank. Commissioner Caudell questioned whether it would be possible for employees to review hours of work. Manager Weller explained that each employee would receive a printout of their time. She stressed again that the Utility will save time and expense by no longer printing and handing out the checks. Commissioner Caudell summarized by stating that he understood the situation to be that all of the other utilities have gone to a direct deposit system and that our goal is to implement such a plan over a year and to work with the Union to help those employees who have an issue with the plan. It is also the goal to have everyone on direct deposit. He questioned what would happen if someone were a hold-out. Manager Weller stated that unless she is told that they have to have a choice it will be all or nothing. In a conversation with the Union Representative, she was told that she should have gone through the Union Steward rather than talking with the crew directly. The Union Representative will meet with her February 26. Commissioner Caudell questioned if the Board could table a decision until the next Board meeting as the results of the negotiations will be known. Commissioner Davis stated that in his conversation with Manager Weller he was led to believe that we were the only utility that was behind the times. Manager Weller interjected that she was referring to the CWPU members. Commissioner Davis continued by explaining that he has personally contacted twenty-two of the twenty-seven utilities in the State and learned that none of them have a mandatory direct deposit. One utility does require any new hires to use direct deposit but anyone else has an option. Four utilities still process only checks or warrants with no direct deposit. Some utilities had issues like what we are dealing with with the Union. He feels that the utility employees should be encouraged to use direct deposit but they should still have an option. He further stated that he does not think that the issue is really the direct deposit which is really a non-issue with the exception of the approach the Manager used with the crew.

General Foreman Sage joined the meeting at 11:03 a.m.

Manager Weller stated that she and Auditor Groth prepared a memo which was sent to all employees explaining the process. Commissioner Davis stated that the reason the Union got involved is the results of the Manager's approach. He does not see anything wrong with offering an option and at this point the Union will get involved if this is forced through. Manager Weller stated that she was working with Franklin and Grant P.U.D.'s and the CWPU Human Resource people. If there is different information she needs to find this out. Commissioner Davis stated that both Grant and Franklin were two of the utilities he had not been able to contact. The Utility will still have to process checks and there will continue to be costs involved and there will be costs involved in the direct deposit. He questioned how direct deposit would be handled if an employee had dual accounts and whether this would be a liability issue for the Utility. Are there legal issues and who is held accountable if there is an error? Commissioner Davis stated that he would be willing to revisit the matter after meeting with the Union. Manager Weller stated that she did not follow procedures and is aware of that. Commissioner Davis stated that when he talked with Auditor Groth and Manager Weller and had advised that this matter would be something that should be openly discussed rather than mandated. At that meeting he was told that with the new computer system this is way it had to be. He questioned what would be done for those individuals who do not have a bank account. He also questioned whether small checks would be deposited. Manager Weller explained that expense reimbursements will be processed with payroll. Commissioner Kroupa asked that the decision be tabled until after the meeting with the Union. Commissioner Davis asked that the above discussion be added to the minutes and he withdrew his motion. The Board was in concurrence.

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

1. Continues to attend the Community Advisory Board meetings for the Kinross Buckhorn Mine. The group has begun adopting by-laws and hopefully this will be completed at the March 8 meeting. Two main issues are vehicle noise and emissions and the Beal Pit noise and dust abatement and times of operations.
2. One work order for a High Cost Line Extension which was begun in 2006 was completed last week and energized.
3. Working south on pole replacements.
4. Working with Curt Brenner and Steve VanSlyke on the high cost line extension program for this year. There are currently funds for three line extensions of approximately 3,000 feet each. Some of the funding is from the original grant and some of the funding is from payments on loans. Commissioner Caudell questioned whether this funding had been included in the capital improvement projection in the budget. It was explained that Staking Engineer VanSlyke would have provided the correct information for the budget.
5. Looking into a new program of steel reinforcement of poles rather than stubbing and banding. Working on the development of the bid for the work. The poles to be stubbed have fifteen to twenty years of life remaining and each stub can be accomplished for approximately \$600. The average cost of a total pole replacement is \$1,500. There are sixty-six poles to be included in the bid and they are scattered throughout the District. This work should take approximately two weeks. Commissioner Caudell expressed concern that the greatest cost to the Utility is pole maintenance and that the margins for this year have gone towards capital improvements. The Utility's revenues are as low as they have ever been and, given that the Utility is continuing at the same rate of improvement that has been planned, it is time to discuss raising rates to stay at the current budget and to meet the proposed plans.
6. Tried a new process after the heaviest snow fall this winter. The crew spent several days looking at express feeders to remove danger trees. This work should help with outages in the future.
7. The tree trimming contract with Basin Tree Service will begin on May 1 with work on the small taps. \$120,000.00 was included in the budget for this work and, based on an increase in the prevailing wage rate, less work will actually be accomplished.
8. Quite a bit of brush cutting work was accomplished with the hack and squirt method used on the Reservation. Waiting to see the actual results. Have been working with a local contractor on a new piece of equipment that could be used to clear rights-of-way. This new process would eliminate the need to have a person cut and pile the material. A meeting has been scheduled for March 14 at 10:00 a.m. at the Utility to meet with the local contractor and representatives from Pend Oreille P.U.D., Nespelem Valley Co-op and Okanogan P.U.D. to discuss the use of the machine. The Board was invited to attend the meeting.

Attorney Graham returned to the meeting at 11:45 a.m.

9. General Foreman Sage and Serviceman Knutz attended a supervisory training session held in Spokane. Both found the information presented to be very informative.

General Foreman Sage was thanked for his report and he exited the meeting at 11:51 a.m.

Manager Weller advised the Board that health screenings were in process if they were interested in participating.

The meeting recessed at 11:52 a.m. for lunch reconvening at 1:19 p.m.

Commissioner Caudell:

1. Traveled to Grand Forks, British Columbia to visit with their economic development person and a telecommunications consultant to learn what types of mutual issues could be identified in the northern portion of the County and if there were any type of synergy that could be developed.

Commissioner Davis continued his report:

3. Attended a Telecom meeting. Participants still have a lot of questions and very few answers. The group agreed that there is a need to know what the current capacity is and then look down the road five years. The group will divide into several separate groups within the County, i.e., hospital, personal businesses, County, etc., to develop a long-range plan which will be compiled and submitted to the County Commissioners.
4. A motion was made by Commissioner Davis to have an anonymous employee survey. The motion was seconded by Commissioner Caudell. The Board discussed at length the pros and cons of such a survey. Commissioner Davis modified his initial motion to reflect an employee and public survey with Manager Weller to obtain information regarding a third party to conduct the survey. The motion was seconded by Commissioner Caudell and unanimously approved.

The Attorney's Report was presented by Attorney Graham:

1. The last chapter of the WISHA dispute was written as employees have completed their training. Summarized the reason for the training as the result of the allegation made by Labor & Industries that some of the linemen

- were not following proper safety procedures as documented by photographs. L&I agreed to drop the fine on the condition that the Utility provide proper safety training. Documentation will be provided to the L&I contact person. It is his hope that the rank and file employees will be a bit more meticulous about following the letter of the law as there is a lot at stake. L&I will be watching the District more closely than they normally would.
2. Working with Manager Weller, Staking Engineer VanSlyke and Power Engineers on the Kinross draft contract. A draft of the contract has been sent to Kinross with no word as yet. The Utility will serve as an intermediary to allow the construction work to be bid and the actual work to be completed. Kinross will process the payments to the contractor. Commissioner Caudell questioned whether there were options if the contractor quit or did not perform. Attorney Graham will research the contract.
 3. Recommended an Executive Session to discuss pending litigation on the Steinbock versus P.U.D. matter. The Board went into Executive Session at 2:18 p.m. for approximately fifteen minutes. The meeting returned to regular session at 2:45 p.m. The Board was in concurrence that litigation as discussed should proceed.

Commissioners Reports:

Commissioner Kroupa:

1. Attended an Energy Northwest meeting at which they celebrated their 50th Anniversary. The Utility received a plaque for it's participation as a member.
2. Attended an NRU meeting. Primary topic was Mr. Saven's desire to form an LLC for the purpose of helping utilities with tier 2, purchasing power and WEC legislation.
3. Attended a PPC meeting. The main event was the departure of Marilyn Showalter.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A picture of the Ferry County Court House was used on a Christmas Card sent by a law firm on the coast. The firm uses a different photograph each year of a court house somewhere in the State. Part-time Customer Service Rep., Judy Doll, brought the card in as her daughter works for the firm.
2. A letter has been received from Stonerose asking for contributions to their silent auction. The Board was in concurrence that the Utility provide sponsorship in the amount of \$100.00.
3. The TV Association has advised that they can offer the Utility an Internet connection at \$27.50 per month to allow for redundancy. Manager Weller will confirm the amount of bandwidth available for this monthly fee.
4. Information has been received from Federated Insurance regarding their annual meeting and the annual voting for directors. This year the voting may be done on-line and the Board was in concurrence that this process should be used.
5. An email has been received from Energy Northwest inquiring as to the Utility's interest in the wind generation at Reardan. After a discussion, the Board was in concurrence that a letter of interest would be provided. Commissioner Kroupa will attend a Purchaser Workshop on February 28.
6. A letter from B.P.A. advising that, consistent with the excess public power policy, they are advising of their excess power which they are determining to be zero, has been received.
7. A letter from USDA-RUS reminding the Utility that the financial reports are due March 1 has been received.
8. A letter has been received from Scott Lindsey, previously with NWPPA, offering his services in Government relations and strategic marketing relations.

Commissioner Caudell reported that Rich Trimble will be leaving Energy Northwest and will be moving into lobbying and consulting.

9. B.P.A. is finalizing a letter regarding the long-term regional dialogue proposal and the Utility has been asked to share it's thoughts.
10. A letter has been received from Columbia Grid offering transmission planning services.

Meetings:

1. The NWPPA Annual Meeting will be held in Spokane in May.

General Business:

1. The Utility's Organization Chart was distributed for Board review. Manager Weller pointed out that both the Auditor and Treasurer are hired by the Board through a recommendation from the Manager.
2. Still trying to find the company that WPUDA obtained pricing from for the AED's. The WPUDA will be contacted again.
3. The City of Republic will be vacating City streets and one will affect the Utility. Steve VanSlyke has been asked to prepare a letter to the City advising of the impact this will have on the Utility.
4. Work is moving right along on the new computer system.
5. Dan Bowers with RUS will be at the Utility Wednesday, February 21 for the yearly discussion and to review the Load Forecast Report prepared by Power Engineers.
6. The Special Use Permit for the Job Corps Substation terminates in 2007. A question has arisen as to the ownership of the property on which it is located. Total size is 1.7 acres and if there is a possibility of purchasing this piece this will be considered.
7. A draft electronic communication policy was distributed for discussion at the March Board meeting. Managers are being warned of the importance of having a good policy in place. When the Board adopts the policy a resolution will be prepared. Manager Weller stated that she feels that employees are abusing the Internet time and that they are on the Internet when they should be doing P.U.D. business. Attorney Graham advised that a personal computer used for utility business would be subject to the public information request act but all of the information stored on the computer could not be requested. He also advised that the use of personal cell phones for utility business would still be considered private.

Manager Weller exited the meeting at 3:58 p.m. with a brief recess declared at this time. The meeting reconvened at 4:02 p.m.

Resolution 07-03 " A Resolution Opposing Increased I.O.U. Benefits" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously approved.

The proposed new line extension policy, as emailed to the Board by Staking Engineer VanSlyke, was discussed at length. Mr. VanSlyke and Manager Weller joined the meeting at 4:23 p.m. The discussion continued with Mr. VanSlyke providing answers to questions.

Commissioner Davis questioned whether Mr. VanSlyke had information pertinent to pole stubbing. Mr. VanSlyke explained that he had spoken with Mr. Dan Bowers with RUS and had learned that RUS encourages utilities to replace poles and not stub. Stubbing is acceptable in the case of an emergency. Does not know if this practice would disqualify the Utility as a borrower. Manager Weller will visit with Mr. Bowers on this issue.

Commissioner Davis made a motion to adopt \$9.50 per foot for a residential line extension and \$15.00 per foot for 3-phase with underground being the same cost as overhead. The motion was seconded by Commissioner Caudell and unanimously approved. Commissioner Caudell questioned what affect this would have on the solar program. Mr. VanSlyke explained that this would have no impact as the solar installations are based on the cost of each package.

Mr. VanSlyke exited the meeting at 5:06 p.m.

Manager Weller provided information on the cost of the work to rewire the building for Internet. Tim Beckner has reviewed the proposal and has recommended using CAT6 wiring. The new bid proposal of \$17,742.75 was received including this type of wiring. The Utility can remove the existing wiring which will lower the bid price. Attorney Graham will review the package prior to signing.

Commissioner Davis advised that he has taken his laptop computer to CompTech for maintenance. The possibility of upgrading the memory in each of the Commissioners laptop computers was discussed with the Board in concurrence that they will not upgrade at this time.

Manager Weller reported that the Utility received today from Okanogan County P.U.D. a new proposal for the service area. This will be reviewed in depth and presented at the March Board meeting.

The Auditor's Report was presented by Manager Weller in Auditor Groth's absence:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved G&O Warrants Number 24318 through 24437 in the amount of \$242,838.68 and Payroll Warrants Numbers 009287 through 009305 in the amount of \$43,612.63 and Numbers 009306 through 009328 in the amount of \$49,005.28 by motion made by Commissioner Davis, 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. Mr. Heberling has advised that it may be time to consider a rate increase as 2007 may not be a good year.

Commissioner Caudell encouraged Commissioner Davis to attend the WPUDA and Energy Northwest meetings and use this time to meet other Commissioners and learn more about the utility business. Commissioner Caudell also advised that on April 20 the WPUDA will hold a training seminar on the Regional Dialogue and recommended all Commissioners attend.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of February 10, 2007 were \$1,523,067.10 with restricted funds of \$1,331,224.13. There were three outages in the month of January for a year-to-date total of three compared to fifteen for the same period in 2006. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed
2. Resolution 07-02 "Signing Authority - Revolving Loan Checking Account" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously approved.
3. Work Orders 345.I through 345.X for January 2007 in the amount of \$67,094.69 were unanimously approved by a motion made by Commissioner Davis and seconded by Commissioner Caudell.
4. The possibility of including unpaid "Other" 143 billings on a consumers monthly electrical usage billing was posed to Attorney Graham. Attorney Graham will research further and advise.
5. The status of the Cook/Curnutt unauthorized use of power matter was brought to Attorney Graham. He advised that the Ferry County Prosecuting Attorney could not try the matter and it would have to be taken to Okanogan County.

Other Business:

Lobbying: None

With no further business to come before the Board, the meeting recessed at 5:38 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager