

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
February 21, 2006

The regular meeting of the Board of Commissioners was called to order by President Kathy Ciais at 9:03 a.m. Present were Commissioners Ciais, Gregg Caudell and Chris Kroupa, Manager Roberta Weller, Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen. Attorney Steve Graham, General Foreman Randy Sage and Conservation Director John Friederichs joined the meeting later in the day.

Visitors: Deana Zakar, Bob Hensley, Joy Osterberg, Ron Bacon, and Don Schroeder.

All stood for the Flag Salute.

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

The meeting was turned to Mr. Schroeder who was representing the Curlew Lake Association. Mr. Schroeder provided a history, including pictures, of the past and current fish net pens located in Curlew Lake. He explained the current fish tagging program and how it is encouraging fishermen to report that they have caught a tagged fish. This results in the pertinent information about each fish being recorded and the fisherman receiving the dollar value associated with each fish. These prizes range in value from \$10 to \$50. The Board was asked for sponsorship for the fish tagging program. After a brief discussion, the Board voted unanimously to sponsor this effort in the amount of \$100 with ten fish each having a \$10 value. The Board was thanked for their time and Mr. Schroeder exited the meeting at 9:25 a.m.

Mrs. Zakar, with TEDD, recapped her earlier meeting with the Board at which time they discussed the Utility's participation in two grant applications being developed for the purpose of furthering the telecommunications. These two grants are a Community Development Block Grant-Community Investment Fund (CDBG-CIF) and a Community Economic Revitalization Board Job Development Fund (CERB-JDF). Previously Ferry County was to be the applicant for the CERB grant with the Utility the subrecipient. This option is no longer viable and the Utility was asked to become the applicant with the application due April 3, 2006. Specific questions to the Utility were as follows: Is the P.U.D. still willing to be the owner of a fiber backbone running from Republic to Curlew with wireless access points? If Ferry County is the applicant for the CDBG-CIF application, is the P.U.D. willing to be the sub-recipient? Would the P.U.D. consider administering the CDBG-CIF grant once it is received? Would the P.U.D. consider being the applicant for the CERB JDF grant? A lengthy discussion was held. A motion was made by Commissioner Caudell to have the Utility act as the sub-recipient of the CDBG-CIF grant and administrator of said grant and to act as the applicant for the CERB JDF grant. The motion was seconded by Commissioner Ciais and passed with Commissioners Caudell and Ciais voting in favor and Commissioner Kroupa voting against. Further discussion included RCW 54.16.330 which speaks to the rates, terms, and conditions by which utilities may offer wholesale telecommunications services to ISP's. Questioned was whether the Utility would determine a rate which it would offer all ISP's, whether a competitive bidding process would be used, and whether the RCW eliminates the possibility of local ISP preference. Attorney Graham advised that competitive bidding would not be a requirement as all ISP's would be offered the same rate. As to the local preference, it would not be acceptable to allow preference of one ISP over another. Mrs. Zakar addressed the lack of fiber between Republic and Tonasket and stated that this has been identified as a very real concern to be worked through. Commissioner Bacon added that the Ferry County Commissioners are in agreement with the process and need. Manager Weller reported that she had recently visited with Okanogan County P.U.D. Manager Chuck Berrie and he indicated that his utility is very interested in finding a way to connect the NOANET fiber in Tonasket to Republic. The Board was thanked for their time and the visitors exited the meeting at 10:04 a.m.

A brief recess was declared at 10:04 a.m. with the meeting reconvening at 10:07 a.m.

Reports:

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

1. Provided a letter outlining the procedures for annexation of territory of another utility district. The voters within an area are required to provide a petition including the names of 20% of those who voted in the last election. This listing is provided to both the utility and the Prosecuting Attorney who certifies the names. Within 60 days each utility is to vote on the proposed annexation. If one utility votes against the change the vote cannot be overruled. If both utilities vote in favor, the proposed annexation is voted on through either a special election or during the regular election dependent upon the timing. A 50%, or regular majority, is needed to approve the vote. A notice must be placed in a newspaper advising that the commissioner districts are being reapportioned with this accomplished by using the voting precinct records. Commissioner Caudell advised that he would like the Utility's Commissioner districts reapportioned even if the annexation does not proceed. Manager Weller will gather precinct information for the April Board meeting. A public meeting has been scheduled by the residents of the Wauconda to meet with the Utility to discuss

their proposed annexation. The meeting will be held on Monday, March 6 beginning at 7:00 p.m. at the Wauconda Community Hall. PUDs can only annex PUDs.

Manager Weller reported on her meeting with Okanogan County P.U.D.'s Manager Chuck Berrie. He is now interested in defining the service territory for the two utilities. He questioned if there was some way to connect the two utilities in the Wauconda area so that there would be redundancy for these customers. He also discussed the possibility of increasing their 115 Kv line to 230 Kv with B.P.A. helping to pay the cost. They are also interested in seeing that fiber is part of the connection. Okanogan P.U.D. will be erecting six wireless towers and the possibility of our Utility tying into this system was also presented.

Attorney Graham advised that it is important that the annexation work be done correctly in order to satisfy the Prosecuting Attorney and that an attorney really needs to assist in the process. He further explained that there is nothing that prohibits a P.U.D. from using a district employee to collect petition signatures. Generally, a utility should not become involved in the ballot issue and voting. The Board was in concurrence that General Foreman Sage should attend the Wauconda meeting.

2. Provided a letter providing an opinion on the subject of commissioner meeting locations. To summarize, there are not a lot of restrictions as to where meetings can be held. Under the open public meetings act, special meetings must have adequate notification. The Board was reminded that two commissioners together are prohibited from discussing utility business. Manager Weller added that the official minutes always reflect when a regular meeting is recessed with the purpose of the special meeting specified. The minutes also reflect when and where the special meetings have been reconvened.

Commissioner Caudell reported that he recently attended a workshop at which Public Disclosure Commission (PDC) presented information regarding ballot measures and what commissioners and utilities should and should not do. Highlights from the workshop were: public facilities should not be used in any manner that would be promoting a candidate or issue, a board can take an official position on ballot issues but not on special use issues such as PUDs, commissioners may express an opinion but cannot represent the utility or speak as if the opinion is that of the utility, letters to the editor can be written with a commissioner using their name and title. Attorney Graham advised that one should always err to the safe side and write such articles under an individuals own name. Utilities may present facts pertaining to ballot issues in a normal manner, i.e., radio and newspaper, cannot discriminate in the manner facilities are used for meetings, employees may wear political buttons and post yard signs. A utility may adopt a special policy pertaining to such matters.

3. Has been advising Manager Weller and Credit Manager Jurgensen of his opinion regarding the handling of consumers who file for bankruptcy.
4. The Utility has been fined \$10,500 by WISHA for allegations of improper safety procedures for the outside crew. This fine has been appealed and the Utility has been advised that the mandatory mediation process is to begin. The Board went into Executive Session at 11:15 a.m. for approximately fifteen minutes for the purpose of discussing pending litigation. The meeting returned to regular session at 11:32 a.m.

Reports:

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

1. Met with the Ferry County Commissioners regarding the Utility's ability to provide electrical service to consumers utilizing County roadways and rights-of-ways. At this time the only recourse the Utility has is to take the projects to the County Commissioners for their consideration as the County Engineer has advised that he will not approve any underground projects that the Utility presents to him. Attorney Graham advised that the County can enact any ordinance it chooses unless State laws specifically states that they cannot. Everything that the County Engineer does is valid unless overruled by the County Commissioners. The Board was in concurrence that is now time for the Manager to become involved in this matter. Manager Weller explained that this is not the only issue that is in need of resolving. The Utility is attempting to work with both the Sheriff's Office and the County Road department regarding the new repeater to be located on Franson Peak. The Utility is willing to waive the annual \$180 billing for both of these entities for their use of our radio building on Klondike Mountain. The Sheriff's Office is agreeable to this proposal and is also willing to waive the fee for the Utility to occupy a position on Franson Peak. The County Engineering Department is not agreeable to either proposal. General Foreman Sage added that the County Engineer is requiring redesign of proposed projects until they meet his satisfaction causing undue work for the Utility. This additional work is increasing the cost of the new line extensions which is being passed on to new customers. Okanogan County prefers that underground services be installed in their roads. Installing overhead lines for all projects is not an acceptable alternative as customers do not care to see the overhead lines or poles nor do they want to have their timber cut. Attorney Graham interjected that he will be unable to attend any of the forthcoming meetings as that would be a conflict of interest due to his work for the County.

The meeting recessed at 12:00 noon for lunch reconvening at 1:10 p.m.

Photographs of proposed underground line extensions were reviewed by the Board. Verizon is also facing similar issues regarding their buried cable. The County Engineer has also stated that the Utility will be required to pay for a County Inspector to be on the job site any time that the Utility is working on an underground project to make certain that the work is done according to his approval.

2. The crew has begun moving wire on the Toroda Creek line to accommodate pole replacements.
3. Justin Koepke is attending Apprenticeship classes at Camp Rilea.
4. The crew is working on three Work Orders, one on Kompan Road, a pump tap on the North Fork of St. Peters Creek and an underground extension at the north end of Curlew Lake. When these are completed they will be replacing poles in town.
5. Bill Kuntz and Bernie Odegard completed a solar installation for Mr. Dellwo.
6. The Bureau of Reclamation Agreement for the Jones Bay radio repeater has been received and the work is being scheduled. Day Wireless will begin reprogramming eighteen mobile radios in preparation for the new system. The system will consist of the mobile radios, one repeater, one base station repeater and a base station on Klondike Mtn. Work will begin on the Franson repeater in June. The need for both satellite telephones and the new radio system was briefly discussed with Randy stressing that both systems are necessary for adequate coverage throughout the District.

Commissioner Ciais requested the status of the new position. Manager Weller reported that the position has not been advertised however, there is already quite an interest and quite a number of applications have already been received.

7. Have purchased used spray equipment from Basin Tree Service. Unit will mount on the Mule.
8. The new forklift has been purchased and delivered. The old forklift will be kept and used for smaller jobs.
9. Currently working with the Colville Confederated Tribes regarding spraying on the Reservation.

Staking Engineer Steve VanSlyke joined the meeting at 1:43 p.m.

Information was presented on the SPCC oil containment program. The Environmental Protection Agency has changed the requirements several times as to the containment requirements. However, an upgrade in the type of oil being used in the transformers will eliminate the need for containment in case of a spill. The new oil is FR3 and is not treated as a hazardous substance and, at the current time, the EPA is not requiring clean-up of spills as the oil is completely biodegradable. At the present time a few of the Utility's distribution transformers are already using the new FR3 oil. The FR3 oil sells for \$8 per gallon and the budget line item will purchase approximately 1,500 gallons. The new oil can be burned in the waste oil incinerator if it is mixed with mineral oil. The Board was in concurrence that the Utility should begin changing to the FR3 oil this year. Mr. VanSlyke presented the proposed 2006 Line Extension costs which were reviewed and discussed at length. A motion was made by Commissioner Caudell to keep the 2006 costs at the 2005 rate which is \$9.50 per foot with the Utility allowing \$3.00 per foot as its contribution. The motion was seconded by Commissioner Kroupa and was unanimously carried. Mr. VanSlyke was thanked and he exited the meeting at 2:30 p.m.

Conservation Director John Friederichs joined the meeting at 2:33 p.m.

1. Will be attending the Harvesting Clean Energy conference in Spokane.
2. Will be attending the Post 2006 B.P.A. Conservation Program meeting in Portland, OR.
3. The Delwo Solar installation is almost complete. The customer still has some ditch work to be completed. Another party is very interested in another solar installation. There is still no High Cost Grant information available on the RUS website.
4. The proposal for special needs transportation did not pass through the Senate Ways and Means. Will be working with Representatives Sump and Kretz for introduction in the next session.
5. Has researched broadband over power lines. This is great for data transmission i.e., reading meters but is not practical for Internet use. This technology does require specialized splicing of the lines which could be problematic during outages. If the Utility were to string fiber, the lines could be placed higher on the poles, i.e., in the hot zone, as the Utility employees would be the only ones working on the poles.

Commissioner Caudell interjected that the WPUDA is considering making their new building in Olympia platinum LED certified. Mr. Friederichs was asked to keep this in mind when visiting with solar equipment suppliers.

6. The methanol fuel cell for the school is falling further from becoming a reality. Incentives for methanol have been cut to make room for wind generation and hybrid cars.

Commissioners Reports:

Commissioner Ciais:

1. No report

Commissioner Kroupa:

1. Attended the Energy Northwest meeting. The debt extension was passed and B.P.A. was in

attendance. B.P.A. requested that the utilities form a separate cooperative for the coal plant . Those involved in the coal plant may form a separate cooperative if they so choose.

2. Attended an accounting class which was held in Spokane. The class was very beneficial and was recommended to the other Commissioners.

Commissioner Caudell:

1. Questioned whether his fellow Commissioners had completed a WPUDA survey regarding whether NWPPA or WPUDA staff should present various training sessions. Responses to the survey will be summarized and provided to members.
2. Attended a presentation regarding the residential exchange program which was very informative. Did learn what constitutes a farm in the residential and farm exchange and a farm uses less than 400 HP is electric load. The UTC monitors the categories. The Board was encouraged to visit Snohomish P.U.D.'s website and listen to the 9th Circuit Court hearings.
3. The Columbia River legislation was signed by the Governor and is now law. Will have impacts on this area.
4. Was questioned by the Legislative Committee regarding a bill sponsored by Senator Morton and for Ferry County and dealing with utility taxes. Was not aware of this bill and had received no information on such.

Commissioner Ciais exited the meeting at 3:15 p.m.

5. The Bush administration desires to balance the national debt using the B.P.A. surplus payments. This is supported by the OMB. Editorials will be forthcoming informing the public what is proposed at a cost of approximately 10% to consumers.
6. There are apparently a number of bills in the Senate and House that would prohibit states and publics from becoming involved in telecom.
7. Rich Trimble with Energy Northwest reported that the machine is operating at 60% and has been cut back a bit for maintenance.
8. Will be attending a WPUDA Ethics and Accountability workshop, which has been incorporated in the monthly WPUDA meeting, on March 17 in Seattle.
9. Traveled to San Diego, CA with WPUDA President Steve Johnson to attend a CEO Training.

A brief recess was declared at 3:35 p.m. with the meeting reconvening at 3:47 with Commissioner Ciais again present.

10. The Manager's review will be finalized at the March meeting. A proposed report was e-mailed to the Board earlier and again presented. The Board will advise Manager Weller, via e-mail, of any changes they would like to see. The final review will be held at the same time as the NWPPA Annual meeting each year.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A note has been received from a consumer expressing their appreciation for the extra special efforts extended to them by Jayne Jurgensen, Sheila Rittel, and Andrea Olson.
2. A consumer has provided very positive comments regarding the Utility's website.
3. A letter has been received from the Curlew School Community Association regarding the March 29 Science Fair. A motion was made by Commissioner Kroupa to support the event in the amount of \$60 and to encourage Mr. Friederichs to assist again this year. The motion was seconded by Commissioner Caudell and unanimously approved.
4. A letter has been received from the Republic Family Day Rodeo committee requesting support of this event. A motion was made by Commissioner Caudell to again advertise at this event by providing \$50. The motion was seconded by Commissioner Kroupa and unanimously approved.
5. A letter has been received from the USDA - Forest Service advising that their decision notice on Buckhorn Mountain is ready for comments. Comments may again be submitted either in writing or on-line.
6. A letter has been received from Mr. Al Aldridge advising that he is now employed by Strategies 360. Mr. Aldridge recently retired from Snohomish P.U.D.
7. Notice has been received that our membership dues, at an associate level would be \$400 if the Utility chose to join WRECA. Organization is primarily for co-operatives however, the Utility qualifies for membership as it is an RUS borrower. Their annual meeting will be June 12 and 13.

Commissioner Caudell advised that the WPUDA building assessment is included in the dues assessment. There is the possibility that Grant County may drop from the WPUDA and if this is to happen their portion of the assessment will be reallocated to the remaining utilities.

No decision was made regarding membership in WRECA pending additional information regarding their programs.

8. Information has been received from APPA advising that information may be obtained on their website which is www.APPAnet.org.
9. A letter has been received from Snohomish P.U.D. providing trial information.

10. A notification has been received from the Ferry County Prosecuting Attorney's office advising that the Prosecutor has declined to prosecute a consumer for power theft.
11. An e-mail has been received from Ferry County Chamber of Commerce advising that the Utility's dues are now due. Records indicate that the dues for 2006 were paid in December of 2005. This information will be provided to the Chamber.
12. An e-mail has been received from Dan Peterson requesting input for a speech that he will be making on the FY07 B.P.A. Federal Power matters.

Meetings:

1. An NWPPA meeting will be held on March 28 and 29 at the Sheraton Portland Airport Hotel regarding the Energy Policy Act of 2005.
2. A WPUDA Communicators meeting will be held at the Embassy Suites on April 5. Will participate via telephone conference call.

Commissioner Caudell reported that PAN, Political Action Network, is starting again. A steering committee has been developed to determine how to make PAN function better.

3. The Ferry Conservation District's 12th Annual Conservation Fair is scheduled to be held at the Curlew Lake State Park on April 15. The Utility will again participate with Conservation Director John Friederichs to develop a display.
4. The fee structure for the NWPPA Annual meeting have changes this year. A separate registration for spouses is required at a cost of \$125. However, the registration fee for members has been reduced.
5. A telephone message was received from Mr. Will Lutgen with NWPPA asking if he could recommend Manager Weller for a Board position. The Board was in agreement that additional information was necessary on the requirements of the position.

General Business:

1. Information gathered from the February 14 NRU conference call was presented. The settlement is getting closer with more meetings to come.
2. The e-mail accounts through Republic TV Association have been closed. This did not result in a reduction in the monthly charges as was anticipated. Steve VanSlyke joined the meeting at 4:56 to provide information on the billing and our current system.
3. Three separate RUS borrowers have been contacted to obtain copies of their request for proposal forms that were used to obtain pricing on long range plans. Each entity has advised that they use the engineering firm that does their normal work as they are familiar with their systems. Manager Weller will contact Power Engineers regarding pricing and their familiarity with RUS borrower reporting.
4. The possibility of the Utility obtaining a T-1 line was discussed at length. Issues include system redundancy and the requirements if the Utility were to out source a new computer system.
5. The Utility has been invited to a meeting, scheduled by PCS Computers, to learn more about their computer systems. Mr. Dennis Hinton is very familiar with PCS systems and could help with the conversion. The Board was in agreement that it should be explained to NOANET that the Utility has yet to make a decision on a T-1 line. Commissioner Caudell advised that the telephone system in the office must work if the power should go out.
6. The meeting in Wauconda has been scheduled for March 6 at 7:00 p.m.
7. Resolution 06-02 "A Resolution Approving Energy Northwest's Undertaking of the Nine Canyon Phase III Wind Project" was presented and approved by a motion made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.
8. Resolution 06-01 "A Resolution Establishing a Military Leave Policy" was presented and approved by a motion made by Commissioner Caudell, seconded by Commissioner Kroupa and unanimously carried.
9. The recent meeting with Okanogan County P.U.D. Manager, Chuck Berrie was discussed. Mr. Berrie provided a summary of what he feels it is costing our Utility to buy and sell power compared to the costs at which Okanogan County P.U.D. can buy and sell power and at what price the Utility could sell power to Kinross Mines. The cost estimates were close although the Utility's low density discount was not taken into consideration. Okanogan P.U.D.'s attorneys have advised that Ferry P.U.D. cannot sell power to Kinross although our Attorney as well as those of Kinross have all determined that it is perfectly legal for us to sell Kinross power. Mr. Berrie stated that he was trying to develop a plan by which both utilities could work together. He would like to see that Ferry P.U.D. were made whole, i.e., if the Utility received the same amount of money as if Kinross were its complete customer with Okanogan P.U.D. the owner of the power for B.P.A. allocation purposes. Kinross would also be helping to pay for telecommunications from Tonasket to Republic, the wheeling charge and whatever else the Utility needed. If Okanogan P.U.D. were to sell the power directly to Kinross the transmission line would be much longer and the cost higher. Okanogan P.U.D. is very desirous of having the B.P.A. allocation as, if the mine is not taking the full allocation, the balance can be sold on the open market. Mr. Berrie would also like to see the service territory established for both utilities. He stated that he would be willing to talk to our Board to further explain his position. Manager Weller advised that she will be talking with Mr. John Saven and Mr. Ken Hustad regarding Mr. Berrie's proposals. Manager Weller stressed that Mr. Berrie was very much interested in helping our utility obtain power redundancy and receive fiber. Information will be forwarded to the Board after discussing the situation with Mr. Saven and Mr. Hustad. The

materials for the new line extension have not been ordered as the start date for the project continues to be set back. The cost of the line relocation being done at this time is being jointly shared by Kinross and the District.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of February 10, 2006 were \$1,634,332.01 with restricted funds of \$1,390,452.30. There were fifteen outages in the month of January compared to three for the same period in 2005. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. Credit card processing information was presented to the Board. This process will allow consumers to pay their utility bills with either a credit or debit card. Following a discussion, the Board was in concurrence that the Utility could move forward on this process.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved Payroll Warrants Number 008800 through 008816 in the amount of \$47,672.57 and 008817 through 008838 in the amount of \$47,653.18 and G&O Warrants Numbers 23018 through 23126 in the amount of \$190,042.71 by motion made by Commissioner Caudell, seconded by Commissioner Kroupa and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. The D. Hittle report was presented.
4. Federated Insurance has advised that the rates will increase but did not provide the amount of the increase.
5. The NWPPA dues have increased 19.7% based on the Utility's revenue increase.
6. Based on the December warehouse inventory, it is necessary to decrease the stated value by \$1,935.64.

Lobbying: None

With no further business to come before the Board, the meeting recessed at 6:45 p.m. re reconvene at 7:00 p.m. on March 6, 2006 at the Wauconda Community Hall.

At 7:10 p.m. Commissioners Cia's and Kroupa, along with Manager Weller, Auditor Groth, General Foreman Sage and Attorney Graham met with twenty-six individuals from the Wauconda area to discuss annexation requirements. Attorney Graham gave a very thorough presentation on the proper procedures to follow to annex a service territory into an existing P.U.D. District. A question and answer period followed.

The meeting adjourned at 8:15 p.m.

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

President

Vice-President

ATTEST:

Secretary

APPROVED:

Manager