

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
February 22, 2011

The regular meeting of the Board of Commissioners was called to order by President Doug Aubertin at 9:05 a.m. Present were Commissioners Aubertin, Chris Kroupa and Nathan Davis, and Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke, Attorney Steve Graham and Secretary/Treasurer Jayne Jurgensen.

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

Visitors: None

The minutes of the previous meeting were corrected and approved by a motion made by Commissioner Davis seconded by Commissioner Kroupa and unanimously carried.

Mr. VanSlyke exited the meeting at 9:15 a.m. and returned at 9:45 a.m.

The Board went into Executive Session as per RCW 42.30.110 Subsection 1, paragraph I, at 9:15 a.m. for fifteen minutes for the purpose of discussing potential litigation. The Board came out of Executive Session at 9:30 a.m., returning to Regular Session for the purpose of extending the Executive Session for fifteen minutes. The Board returned to Regular Session at 9:45 a.m.

Reports:

The Attorney's Report was presented by Attorney Graham:

1. Met with Melinda Thomas and Rick Lybarger on February 11 to discuss their Revolving Loan and the proposed change in property identified for collateral. A draft agreement has since been drafted and sent to Ms. Thomas for her signature. The Utility will maintain a mortgage on the parcel of property in western Washington and add the local parcel.
2. The Steinbock appeal is still before the Washington State Supreme Court.
3. A review of the proposed Policy Handbook has been completed. No issues were identified.

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

1. Pole replacement continues in the Keller area and into Swawilla Basin.
2. A line reroute has been planned for the Swawilla Basin area and the approval is pending a Tribal Cultural Resource Survey. The Utility will contact the company used for local cultural resource surveys in hopes of expediting the project.
3. The service truck returned last month has again failed and was returned for repair. A new transmission was installed, the vehicle has been returned and is operational.
4. The new line truck is to be delivered this day. The vehicle was inspected by Utility personnel with several items identified as needing to be corrected before delivery and acceptance.
5. The right-of-way maintenance contract is in place with work to begin soon. The contractor has been training the crew in the field on the correct methods to fell trees. It was questioned as to whether the Utility used a liability release form when removing material on customers property. A discussion followed with the Board concurring that no change in practice would be necessary.
6. Tree trimming and right-of-way maintenance will begin north of Republic and in the Curlew Lake drainages which are those areas leading into the Lake area. Some danger trees will be removed.
7. Pole testing will begin on both Toroda Creek Road and Kuehne Road.

Mr. VanSlyke was thanked for this report and he exited the meeting at 10:16 a.m.

A brief recess was called at 10:17 a.m. with the meeting reconvening at 10:25 a.m.

The Manager's Report was presented by John Friederichs:

Bids for the sale of Truck #22 were presented to the Board for opening. A minimum bid of \$7,500 was placed on the vehicle. Three bids were received and opened. Those bids are as follows: Dale Dodson \$6,000; Patrick Queen (bid dated 1/14/11) \$5,300 and Patrick Queen (bid dated 02/22/11) \$7,650. A motion was made by Commissioner Davis to accept the \$7,650 bid offered by Mr. Patrick Queen. The motion was seconded by Commissioner Kroupa and unanimously carried. Manager Friederichs was directed to contact the bidders.

Correspondence:

1. A thank-you has been received from the Republic Visitor's and Convention Bureau for the \$150 advertising monies.
2. A letter has been received from the Curlew School Community Association requesting sponsorship of the Science Fair. Advertising sponsorship in the amount of \$60 has been provided.

Meetings:

1. An NWPPA Residential Exchange Settlement Workshop has been scheduled for March 16. This meeting has been offered as a phone conference with the Board all interested in attending. Attorney Graham advised that all Commissioners could participate so long as they did not discuss any P.U.D. related business.

Commissioner Aubertin brought his attendance at the Annual NWPPA Conference before his fellow Commissioners for discussion. Decision will be left to Commissioner Aubertin whether he attends this year.

2. A special meeting sponsored by NRU will be held March 1 in Portland, OR for those utilities who chose to not take B.P.A. Tier 2 power. The Utility will not participate as it's decision was to purchase Tier 2 power from B.P.A.

3. Steve VanSlyke and Manager Friederichs met with Kinross to discuss upcoming B.P.A. rate increase. Opportunities for the milling operation to increase their cost savings will be explored further. At such a time as the Utility has accurate increase information another meeting will be scheduled. There is the possibility that Kinross representatives may visit with the Board.
4. An update on the Packwood project was made through a slide presentation.

General Business:

1. The Low Income Senior Citizen Discount program was presented for discussion. The Board was questioned whether they wished to limit those customers eligible for the program to those customers who currently live in the service area year-round with the residence under the program their primary residence. A discussion followed with the Board concurring that no change would be made in the program, i.e., seasonal customers will not qualify.

Commissioner Aubertin brought the process used by the Board to respond to public inquiries presented during a Board meeting up for discussion. The possibility of deferring any decision on the matter until later in the meeting allowing the Board time to consider and discuss was presented.

The conservation program and it's affect on the Utility's High Water Mark as well as program limitations were discussed. Nothing final is know at this time.

2. Information from December 2000 Board Minutes regarding the Windsor Substation property and the EMS line extension was shared.
3. Information regarding the RUS debt payoff was briefly discussed.
4. Two long-term Freddie mac investments were brought before the Board for discussion. Based on the current economic climate the Board expressed concern regarding the safety of the monies.
5. A High Cost Loan Customer is attempting to obtain a loan and has requested the Utility subordinate it's position on the mortgage to allow the loan. A discussion followed with Attorney Graham advising against any further subordinations in keeping with the decision made at the August 2010 Board Meeting.

The meeting recessed at 12:05 p.m. for lunch reconvening at 1:10 p.m. Commissioner Kroupa did not return to the meeting at this time.

Manager Friederichs continued his report:

6. Has been in contact with one computer system company and waiting for a response from a second. SEDC is interested in providing additional information about their system.
7. Resolution 11-01 "A Resolution Declaring Property Surplus Without Monetary Value and Authorizing Disposition of the Same" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Aubertin and unanimously carried.

Auditor Nush reported that PCS has requested a telephone conversation with her regarding the issues identified in December. They are questioning whether they have met all of their obligations. Mrs. Nush advised that a new release has been provided that did resolve some of the issues but some are still unresolved. Unfortunately, some of the issues identified earlier and were thought to be resolved have again surfaced. Response time to questions is again lengthy. Commissioner Aubertin suggested that the Utility begin tracking hours spent on PCS issues and the associated costs. An addressing change that was a portion of the recent release has been creating issues for the Utility. This has affected current billings as well as the history on inactive accounts.

The Conservation Report was presented by Manager Friederichs.

1. Several low income window projects have been completed.
2. The primary conservation project remains the Kinross Mill. They are very proactive in their conservation efforts.
3. The ventilation fans used at the Buckhorn Mine are also being studied for cost saving measures.

Commissioners:

Commissioner Aubertin:

1. A report of his recent Energy Northwest meeting was provided. A new CEO has been selected. A new commissioner training has been schedule in conjunction with the Columbia Generating Station tour on April 13.

Commissioner Kroupa returned to the meeting at 1:40 p.m.

A brief recess was called at 1:41 p.m. with the meeting reconvening at 1:47 p.m.

The Commissioners continued their reports.

Commissioner Davis:

1. Attended a TEDD meeting. There is the possibility that TEDD and RTPO will be combined to enable both entities to function better. The local TEDD office may be relocated.
2. The hospital biomass project is uncertain as it is in need of financing. A new boiler will be installed that will include a biomass option.

Manager Friederichs reported that the TEDD office will remain in its current location. The purchase of a permanent building is now being pursued and he has been contacted regarding the use of the Revolving Loan/Grant funding for this purchase. The Board briefly discussed the TEDD benefits to the Utility.

3. The NOANET project is moving forward. Stevens County P.U.D. has plans to break ground in 2012 in conjunction with the project.
4. An overview of the recent WPUA meeting was presented. There are still questions regarding the telecom authority for utilities.

Commissioner Kroupa:

1. Attended the NRU and PPC meetings where the primary topic of conversation was B.P.A. and the upcoming rate increase. Of importance regarding the B.P.A. increase is the increased demand charge which the slice customers are not assessed. Also of primary concern is the decision regarding the residential exchange settlement. No decision was made regarding the residential exchange and an agreement may not be signed until April.
2. Information regarding the IOU payback and their 9th Circuit Court appeal was presented and discussed.

Manager Friederichs brought the RUS payoff before the Board for discussion. Auditor Nush presented information regarding an issue she has identified with the State taxes paid. She has researched the information and has found that an error has been made in the calculations for the past several years. The Board concurred that a letter is to be written to the State Department of Revenue requesting clarification of the calculation process. The Board again discussed the RUS payoff with a motion made by Commissioner Aubertin to move all monies out of Freddie Mac and to fund the RUS Cushion of Credit account to the maximum allowable. The motion died due to the lack of a second.

Commissioner Kroupa exited the meeting at 3:22 p.m. returning at 3:25 p.m.
Commissioner Aubertin exited the meeting at 3:25 p.m. returning at 3:27 p.m.

The Board continued the discussion of the RUS payoff. A motion was made by Commissioner Kroupa to divest the two Freddie Mac long-term investment funds, one of \$475,000 and one of \$300,000 and instruct the Treasurer to put what is necessary to payoff the RUS debt into the Cushion of Credit account and to invest the remainder in the State Investment Pool. Further instruct the Treasurer to use the money in the Cushion of Credit account to pay off the RUS debt no later than December 30, 2011. The motion was seconded by Commissioner Davis and unanimously carried.

Manager Friederichs brought the proposed Policy Handbook before the Board for discussion. With a brief discussion a motion was made by Commissioner Davis to accept the changes to the Policy Handbook as presented. The motion was seconded by Commissioner Kroupa and unanimously carried.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of February 10, 2011 were \$985,535.82 with restricted funds of \$1,472,361.88. There were two outages in the month of January for a year-to-date total of two compared to forty-two for the same period in 2010. The Revolving Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed.
2. Resolution 11-02 Agents for Special Checking Accounts was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.

Manager Friederichs exited the meeting at 4:00 p.m. returning at 4:06 p.m.

The Auditor's Report was presented by Sue Nush:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 6948 through 7040; 7042 through 7052 direct payroll deposits numbers 9901113 through 9901148 and Electronic Fund Transfer number 150 through 153 and Void Warrant Number 6861 in the total amount of \$690,641.01 were approved by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.

Mrs. Gail Kuehne joined the meeting at 4:45 p.m. for the purpose of the Revolving Loan/Grant meeting.

Lobbying: None

The meeting recessed at 4:45 p.m.

The meeting reconvened at 5:00 p.m. for the purpose of the Revolving Loan/Grant Fund meeting. Those present were Commissioners Aubertin, Kroupa and Davis, Board members Gail Kuehne and Steve Graham with Dan Miller joining via telephone and Manager Friederichs.

The purpose of the meeting was to consider a proposal submitted by TEDD for the purpose of continuing the Eastern Washington University project to develop and maintain an information website for Ferry County. There were no representatives of either TEDD or Eastern Washington University present at the meeting. The group was in concurrence that no action would be taken on the proposal.

With no further business 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

ATTEST:

Vice-President

Secretary

APPROVED:

Manager