

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY  
REGULAR MEETING OF COMMISSIONERS  
March 17, 2008

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:04 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell, and Nathan Davis, Manager John Friederichs, Attorney Steve Graham, Interim Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen.

The Flag Salute which was led by Commissioner Kroupa.

The minutes of the previous meeting were approved by a motion duly made, seconded and carried.

Public Comment Period: None at this time.

Visitors: Jim Oakley, Energy Northwest

Reports:

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A letter has been received from the Car & Truck Museum thanking the Utility for its generous donation and use of P.U.D. equipment during the summer of 2007 for the Lembcke Sawmill restoration. They have estimated the support at \$225.
2. A note was received from a consumer regarding the Utility's outsourcing of the bill processing. The consumer explained that the local post office no longer receives credit for the mailing which affects the positions and salaries of those working at the post office.
3. An email has been received from Dean Boyer, WPUA, regarding an email from a Mr. Daniel Cayen who has expressed displeasure about the proposed cost of a line extension to his property. The Utility has no record of providing an estimate to Mr. Cayen.
4. An invitation to the April 19 Stonerose 20-Year Celebration has been received.
5. The Senior Class of Curlew High School has thanked the Utility for its continued support and has asked for support of their upcoming Senior Sober. A discussion of the legality of such support was held. A motion was made by Commissioner Davis to provide sponsorship at the \$50 level. Manager Friederichs will contact the event coordinator and ask that the letter be reworded so that the Utility can participate. The motion was seconded by Commissioner Caudell and unanimously approved.
6. Information has been received regarding the upcoming Conservation District's Conservation Fair and Plant Sale. The Utility has participated in the past with a booth and no financial support. The Board was in concurrence that this should again occur.
7. A letter has been received from the Curlew School Community Association regarding the Science Fair. The annual event will be held on March 26 and the Utility has been asked to help sponsor the Fair. In the past the Utility has participated with either a booth or by providing a judge. A motion was made by Commissioner Davis to support in the same amount as in 2007. The motion was seconded by Commissioner Kroupa and unanimously carried.

The Board requested a report reflecting the support provided to the various organizations for the past year.

8. Information regarding sports ads has been received from Omak radio station KNCW. The cost is \$125 for all spots. Manager Friederichs will provide updated material to the radio station. A motion was made by Commissioner Davis to advertise via radio broadcasts. The motion was seconded by Commissioner Caudell. A discussion followed which included the agreement entered into with an individual in the Omak area and whether the Utility received the advertisements or was repaid. The Board was in concurrence that, if the Utility did not receive the service it was compelled to pursue potential litigation. The motion was unanimously approved.
9. A request for support of the Curlew High School Equestrian Team has been received. The Board was in concurrence that support would not be provided due to the limited number of individuals involved.
10. The possibility of the Utility again advertising in the Ferry County Tourism brochure in the amount of \$400 for a full-page advertisement was presented. The cost of a quarter-page advertisement will be requested and no decision was made.

Industry Correspondence:

1. A letter has been received from USDA providing a borrowers statistical profile.
2. A letter has been received from B.P.A. introducing Mr. Ken Johnston as Ms. Toni Timberman's replacement. Mr. Johnston visited the Utility recently to discuss upgrades of the Sherman Feeder. Outages have been scheduled for July for the repair of this feeder. The necessary work will require two full eight-hour outages. The possibility of the Utility sponsoring a community get-together in the City Park or at the Fairgrounds to provide coffee and snacks and information regarding the outage. Outage information will be published in area newspapers well in advance.
3. PCS has provided information regarding additional training. The development of a timesheet for employees to complete in order to simplify reporting, is being considered by the Utility.
4. A response has been received from B.P.A. regarding the Stand-Still Agreements. The final decision was made February 22 which will allow interim payments to B.P.A. customers. The proposed agreement will allow for a \$228,418 payment to the Utility subject to a true-up after the Rate Case.
5. An email has been received regarding the tiered rate methodology as it relates to the low-density discount which the Utility receives from B.P.A. Commissioner Caudell added that B.P.A. is still in exparte due to the rate hearings. He further stated that the Utility receives a large benefit from the low density discount and this must remain a contractual inclusion. NRU, in their negotiations with B.P.A., should be asked to retain our low density discounts. Commissioner Kroupa asked that Manager Friederichs respond to the notice explaining that the Utility

is interested in maintaining it's low density discount.

The meeting was turned to Mr. Oakley who was introduced to all present. The question was posed as to whether, after Tier 1 is allocated, will the Utility need additional Tier 2 resources and how much and of what type. Commissioner Kroupa explained that if additional Tier 2 power is needed due to an unforeseen delay in the new Buckhorn project or the power received from B.P.A. is less than anticipated, it is assumed that the needed Tier 2 will be obtained from B.P.A. In a worst case scenario, an additional 1 or 2 megawatts may be needed. He explained that the Utility is located at the end of a radial transmission line and there is no redundancy in place. Mr. Oakley provided an update on the Packwood Project which is now running and all repairs have been completed. A new fish screen was installed when the repairs were made. The system is producing where it should be. Commissioner Caudell questioned the District's involvement in the bond process. Mr. Oakley explained that the work was accomplished with the latest bond, all participants in Packwood were guaranteeing the bond, and no one will be asked to pay for the bond. The bonding company had requested collateral to guarantee the bonds based on a percentage of the power taken out of Packwood. Energy Northwest is operating and supervising the project. Mr. Oakley provided information on the recent controversy between B.P.A. and Energy Northwest. He explained that Energy Northwest is cleaning up the way information has been provided to B.P.A. Nothing has been or is being withheld from B.P.A., they have been asked to talk to specific individuals at Energy Northwest to obtain correct information. Some much needed maintenance work is being scheduled. Mr. Oakley was thanked for this report and visit to the Utility.

A recess was declared at 10:37 a.m. with the meeting reconvening at 10:51 a.m. with Mr. Oakley not returning.

Manager Friederichs continued:

6. A notice of bankruptcy has been received regarding Pope & Talbot. Their account with the Utility is paid in full and closed.

The Auditor's Report was presented by Rory Miller:

PowerPoint was used to make the presentations.

1. The September financials are almost completed as is October. The next phase will include November and December. At this time, it is hoped that an accurate report will be available for the April Board Meeting.
2. The State Auditor's \$50,000 discrepancy has been revealed to be the reporting methods used by the Treasurer and Auditor for invested funds. Mr. Miller feels that the State Auditor's did not understand the individual component parts. Detailed information is being compiled to aid in the next State Audit.

General Foreman Sage joined the meeting at 11:05 a.m.

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

1. The crew has been working in the Keller area for the past two weeks. There have also been a couple of outages. One was the result of a broken guy wire which was 27-feet in the air. It is not clear why this particular outage occurred.
2. Work orders are beginning to come in and there are several small ones ready for the following week.
3. On-going work is being completed on the Job Corps line to Marias Creek.
4. Attended the most recent Buckhorn Advisory Board meeting. Kinross Manager, Loren Roberts, has signed the Good Neighbor Agreement. This document provides the community with an avenue to provide input into the operation of the mine. The Beal Pit document is ready to be signed by Kinross. Areas of concern include lighting after dark, hours of operation, truck noise, truck speed, and the numbers on the trucks. The quarterly water monitoring, which is a DOT requirement, has been opened to the public when the samples are taken.
5. Unicef was in the area for approximately two weeks. During this time they visited with the County regarding their proposed upgrade of facilities in the area.
6. The shop work area is being made more efficient. The work has largely been accomplished by Mike Brown and Billy Knutz.
7. The B.P.A. outages have been scheduled for July 12 and 20. The outage on the 12<sup>th</sup> will begin at 11:00 p.m. and continue until 7:00 a.m. on the 13<sup>th</sup>. The outage on the 20<sup>th</sup> will begin at 6:00 a.m. and continue until 2:00 p.m. The Utility will also perform needed work on the 20<sup>th</sup>. The possibility of including the outage information on the bills was briefly discussed. The outage will not affect the Keller area and Kinross has already been advised of the outages.
8. Kinross hopes to begin Buckhorn mining operations on August 1 with commercial power. Generators will continue to be used until that time. The milling operations will begin on October 1. Commissioner Kroupa questioned whether Kinross could be charged for the transportation of the crane to Buckhorn and the work at the Job Corps substation switches. Mr. Sage advised that Kinross has already paid for the work and are responsible for no further charges.

The Board briefly discussed the Utility's high water mark. Commissioner Kroupa expressed concern that some of the information provided by B.P.A. has not been clear. It appears that utilities will be asked to sign the contracts with incomplete information.

Commissioner Caudell questioned whether the Utility discouraged underground service as far as the service connections. Mr. Sage explained that an underground connection is discouraged where the service enters a home although this is based on the customer's desires. The actual billing normally begins the month after the Connect Application is signed by the Customer and when the P.U.D.'s portion of the work has been completed. Again the billing will begin the following month for basic charges. A customer has recently asked if they can discontinue their billing for basic charges. Mr. Sage explained that Manager Weller had determined that a customer could have their billings stopped if they had paid enough in basic charges to cover the Utility's cost of the work. Commissioner Caudell questioned whether customers did not pay for the line extension prior to work being completed. Mr. Sage explained that the customer does pay for the "estimated" cost of the work and the actual work usually costs the Utility more than estimated. If property is a short plat, the customer pays the cost of having backbone power installed and the balance of the line extensions are completed when lots are sold.

Commissioner Caudell requested a report that will reconcile the number of base accounts and the base rates. He would also like the report to reflect the number of new customers per year. Attorney Graham questioned whether new line extension customers are told that any costs that run above a certain per foot amount can be recouped at a later date. He further questioned how the Utility justifies making the person pay the cost over and above what they were initially told the job would cost. Commissioner Caudell explained that his concern was that service had been put in but the customers were not being billed and there was the appearance that Commissioners or staff were doing favors and making special deals. Mr. Sage explained that there had been a few instances, during the computer conversion, when accounts had not been set up and customer billed but he felt certain all new accounts were now in place.

Commissioner Kroupa stated that he had been contacted by a consumer regarding a tree on their property that has been marked for removal. Mr. Sage reported that he and Mr. VanSlyke have visited the site and developed an alternate route although the removal of the tree would be advantageous to the Utility. The consumers will be contacted regarding the possibility of selling the tree

9. An outage occurred over the weekend in the Klondike area which may have been caused by a turkey.

A motion to approve February warrants number 2129 through 2641 and wire transfer numbers 25 and 27 through 29 in the amount of \$652,400.12 and March warrants 2651 through 2749 and wire transfer number 30 in the amount of \$212,751.41 was made by Commissioner Davis. The motion was seconded by Commissioner Caudell and unanimously carried.

The meeting recessed at 12:05 p.m. for lunch and reconvened at 1:19 p.m.

The Auditor's Report was continued:

3. A yearly summary of residential, commercial and industrial kWh's as well as total kWh's sold was presented. A yearly summary of revenue versus power costs was also presented and Auditor Miller explained that the ratios are as they should be.
4. Three major issues in the billing and customer service areas were encountered during the past few weeks, those being budget billing, the winter moratorium ending, and the combining of customers accounts. The budget billing process through PCS is not as anticipated and does not utilize actual readings only but includes estimated billings. The decision has been made to return to the manual process to calculate the budget amount for those customers with estimated meter readings. Another option of the PCS system is the combining of customer accounts with the same billing address. This process has proven to be more difficult than it was presented to be. Five customers have requested that their accounts be separated. These customers have been asked to pay their accounts in full, resulting in their accounts having a zero balance, in order to separate them without creating more issues. The winter moratorium was lifted March 15. Customers with delinquent accounts will be contacted and those with balances of \$250 or less will be processed by Sheila and Joyce. Those with an account balance over \$250 will be processed by Jayne.
5. Commissioner Caudell requested that an Auditor's Report be included in the Board packet for upcoming meetings.

Andrea Olson was invited to join the meeting at 1:52 p.m. Mrs. Olson requested an Executive Session. Attorney Graham advised that the meeting remain in open session unless the discussion could be classified as a complaint against another employee and then that individual should be present. Mrs. Olson advised that she wished to discuss policies and procedures with the Board. Attorney Graham clarified that the discussion was not a formal complaint as her earlier comments had fallen within that classification. He explained that the law gives the Board the discretion to call the meeting a hearing to hear a complaint against an employee. The Board was in concurrence that the meeting would remain in open session. Mrs. Olson went on to explain the meeting she, Manager Friederichs, Interim Auditor Miller, and Attorney Graham had and the subsequent letter clarifying items discussed which she received. She further explained that her reason for contacting each of the Commissioners via telephone was the removal of employee records from her office without her authorization. She had been instructed by retired Manager Weller and Auditor Groth that no employee records were to be removed from her office. Manager Friederichs had requested an employees personnel file for the purpose of completing a performance evaluation. Upon Mrs. Olson providing the file, Manager Friederichs proceeded to leave Mrs. Olson's office at which time she advised him that he could not take the file from her room. The file was then reviewed in the presence of Mrs. Olson and, unknown to her, documents were removed from the file by Manager Friederichs. Mrs. Olson stated that she was not aware that information had been removed as she had instructed Manager Friederichs that nothing could be taken from her office. She found that items were missing the following morning. She felt the matter was very important and contacted each of the Commissioners. She went on to explain that it is her understanding that an employee may submit a written request to have material removed from a personnel file but a record is to be left in place of the removed material detailing what was removed and when. Attorney Graham advised that the Manager does have the authority to remove material from an employees personnel record if a written request is received from the employee. It is not necessary to place a summary document in the folder in the place of the removed material. He will provide a copy of the appropriate RCW to Mrs. Olson so that she can be satisfied. The Board discussed the need for a written personnel handbook or a policy handbook that summarizes actions taken by the Board. Mrs. Olson stated that she would like to obtain the purge dates for employee records. Manager Friederichs will assist in this matter. Attorney Graham stated that the law doesn't require the uniformity that is mentioned and that the Manager may select which items can be purged. Mrs. Olson stated that she understood that if a document was to be removed from an employees file, unless specifically addressed, would be removed within a certain amount of time, pending certain behavior. Records could not be removed unless the employee requested removal of the disciplinary action and documentation placed in the folder stating what was removed. She added that she is very familiar with the contents of the files and if something were gone, there was no way of knowing who took the material. Attorney Graham had advised her to speak with the Manager but it was the Manager that had taken documents from a folder and she wasn't certain how long it would have been before she realized they were missing. Some positive things did come from the meeting in that in the past Mrs. Olson had been directed to hide the key to the locking personnel files somewhere in the office but not in her desk as there were several occasions when the files

were accessed by an unknown individual. It was decided that the key may now be carried with Mrs. Olson and, if she is to be gone, will give the key to the Auditor. Manager Friederichs added the personnel files are for the use of the Manager, Human Resources personnel and the employee whose name appears on the file label. He added that he had no knowledge of what has taken place in the past. Mrs. Olson questioned whether documentation regarding disciplinary actions could be removed without putting another document in their place. Attorney Graham advised that, typically, a written reprimand is removed from the file. Certainly, with Union personnel, there is the right to progress with discipline and someone must keep on with problem and there are steps to be followed. What the destruction of the written reprimand means is that the Manager is confident that the problem won't occur again and if the situation should move into court, the Utility can't say that the situation occurred because the files no longer exist. Commissioner Kroupa emphasized the need to review policies in place and further instructed the Manager, Auditor and Deputy Auditor to resolve the key and cabinet issue. Commissioner Caudell took the opportunity to visit with Mrs. Olson to learn how work was progressing. She reported that she is working hard to get faster and better at what she understands her job to be. She has been asked to help with accounts payable which previously was handled entirely by the Auditor. She is concerned that she will be given too much to do and won't be able to keep payroll and accounts payable up to speed. She is being asked to do so many things just to get to zero everything is rather daunting i.e., taking on all of the accounts payable. Commissioner Caudell thanked her for sharing with the Board. Interim Auditor Miller added that he has been coming in at 6:00 a.m. and staying quite late to analyze accounts and then asks that the actual journal entries be completed by Mrs. Olson and verified by himself. It was very important to resolve the winter moratorium issue in a proactive manner. Manager Friederichs also added that there is good work being done by people who have offered to put in overtime to get caught up. Mrs. Olson added that she is very happy with the new computer system. Interim Auditor Miller added that everyone is working hard and putting their shoulders to the grindstone. He added that the nicest thing was the group working through the moratorium issue. The Utility has incredibly good people who are smart and energetic. Mrs. Olson thanked the Board for their time and exited the meeting at 2:39 p.m.

Resolution 08-11 "A Resolution Approving the Collective Bargaining Agreement and Amendments thereto of the Collective Bargaining Agreement Between P.U.D. No. 1 of Ferry County and Local 77 of the International Brotherhood of Electrical Workers" was adopted per a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Resolution 08-05 "A Resolution Authorizing Signatures for REA Documents" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.

Resolution 08-06 "A Resolution to Designate Applicant's Agent" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Resolution 08-07 "A Resolution Authorizing USDA RDUP Form 674" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Resolution 08-08 "A Resolution Authorizing Agents for Night Depository Agreement" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Resolution 08-09 "A Resolution Updating the Alternate Bid Procedures for Purchasing and Public Works Contracting; Establishing a Vendor List Process for the Purchasing of Supplies, Materials, and Equipment and a Small Works Roster Process to Award Public Works Contracts" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.

Resolution 08-10 "A Resolution Approving Construction Work Plan" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Resolution 08-12 "A Resolution Approving the Utility's Expenditure of Funds for the Columbia River Carbonates Line Extension Upgrade" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Resolution 08-13 "A Resolution to Designate Manager and Auditor Warrant Signing Authority" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

The Board went into Executive Session at 3:05 p.m. for ten minutes for the purpose of evaluating qualifications of an applicant for public employment as per RCW 42.30.110, Subsection 1, Sub Sub Section G. The Board returned to regular session at 3:20 p.m. A motion was made by Commissioner Davis, based on the review of a qualified applicant in Executive Session, to select Mr. Rory K. Miller to serve as Auditor and be hired as per the terms of the contract. The motion was seconded by Commissioner Caudell and unanimously carried.

Manager Friederichs presented the Wage and Salary Administration Schedule Number 25-08. A motion to adopt Schedule 25-08 was made by Commissioner Caudell. The motion was seconded by Commissioner Davis and unanimously approved.

The Attorney's Report was presented by Attorney Graham:

1. The potential annexation by Ferry County P.U.D., a portion of Okanogan County P.U.D. was presented. Research was accomplished on the question of a complete redistricting of the Utility if District 1 or District 2 were to be increased due to the annexation. The potential issue that could arise if a wholesale redistricting were to occur would put Commissioner Caudell in a difficult position as Betty Buckley has acquired a house in an area that is outside his District. Attorney Graham recommended that Commissioner Caudell recuse himself from any further voting on this matter. The Board had also asked him to contact the Okanogan County Auditor's office to ascertain if they would be willing to work extra hours to compile the needed information. He was advised that the office would already be working extra time in order to complete the elections process and that our work

would be accomplished as soon as they were able. He will be in Okanogan on March 19 and will stop by their office.

2. An Executive Session was recommended as per RCW 42.30.110 Sub Section 1 Part I for fifteen minutes to discuss potential litigation. The meeting returned to regular session at 3:48 p.m.

Commissioner Caudell exited the meeting at 3:48 p.m. for the balance of the day.

3. Information has been obtained from MRSC (Municipal Research and Services Center of Washington) regarding the Open Public Meeting Act and was presented to the Board.
4. A draft contract for City Pacific for the CRC line construction project has been completed as far as possible. Additional information has just been obtained.

Commissioners:

Commissioner Kroupa:

1. Nothing to report.

Commissioner Davis:

1. Attended a county and municipal road construction meeting. Learned about funding and maintaining to standards.
2. Attended the most recent TEDD meeting. There are several individuals interested in a commercial property in Republic. There is \$125,000 to be spent for five-star community projects. The current TEDD loan rate is 8.5%. The organization is beginning to function again with the new Director and Loan Officer

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of March 10, 2008 were \$1,196,608.33 with restricted funds of \$1,414,826.49. There were three outages in the month of February for a year-to-date total of eight compared to twenty-four for the same period in 2007. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed. One High Cost Grant customer has gone missing. Attorney Graham will assist Mrs. Jurgensen with the matter.

The Conservation Report was presented by John Friederichs.

1. Has been very busy assuming the duties of Manager.
2. Several energy audits were performed and Ed Forsman was shown how to complete an audit so that he will be able to work with the customers in the future.
3. The solar drag race for middle schools is again underway. In lieu of their \$1,000 scholarship, REC Silicone of Moses Lake has donated silicone cells to the winning teams from the previous year. The recipients will be able to laminate the modules onto their cars. Will present to CWPU utilities the possibility of assisting with the scholarship and become sponsors. The Board was in concurrence that the Utility will sponsor the event for at least \$100.00.

Manager Friederichs advised that he is considering the possibility of adding another Customer Service Representative as a full-time position rather than fill-in. The new computer system has increased the time required to work with customers and information has not been fully transferred from System 36. Commissioner Kroupa questioned the budget reduction and the additional expenses. No decision was made and the Board was in agreement that Manager Friederichs could research the matter further for discussion at the April Board meeting.

Commissioner Kroupa will not be attending the April Energy Northwest meeting nor the NRU or PPC meetings. Commissioner Davis will attend the Energy Northwest meeting on April 23 and 24, the NRU meeting on Wednesday, April 30 and the PPC meeting on Thursday May 1.

Lobbying: None

With no further business to come before the Board, the meeting was adjourned at 4:22 p.m.

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

\_\_\_\_\_  
President

ATTEST:

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

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager