

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
April 16, 2007

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:02 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell and Nathan Davis, Manager Roberta Weller, Attorney Steve Graham who joined the meeting at 10:02 a.m., Auditor Jennine Groth and Secretary/Treasurer Jayne Jurgensen.

Visitors: Mike Fagley, Rich Trimble, Valerie Hester, Dennis Wuerth and Erin Hope.

All stood for the Flag Salute which was lead by Commissioner Caudell.

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

Valerie Hester was given the floor. Mrs. Hester was representing the Prospector's Days committee and provided an overview to the upcoming 50th Anniversary Celebration. The theme for the 2007 event is "Eureka - Rush to Republic" Prospector's Days can no longer sustain itself and the budget goal for 2007 is \$25,000. Both the City and County have generously supported the event through the hotel and motel tax fund. An event coordinator with an extensive background in the field has been hired to work on the program. Arrangements have been made for a Spokane television station to provide a news reporting crew with the filmed footage to be used for future advertising. Commissioner Caudell provided the names of several individuals on the Colville Reservation who may be of help. The Board was in favor of supporting the event and it was discussed at length with questions answered by Mrs. Hester. Mr. Fagley volunteered his crew to help move equipment and bleachers and will work directly with Mrs. Hester. A motion was made by Commissioner Davis to support the Gold Rush Run in the amount of \$5,500. The motion was seconded by Commissioner Caudell with a discussion following. Commissioner Caudell stated that this contribution will deplete all of the funds set aside for contributions for the year and that the Utility will not be able to help anyone else. President Kroupa restated the motion and called for a vote. The motion was unanimously approved. Mrs. Hester was thanked for her time. She explained that an over-sized check will be prepared for a media presentation and that Manager Weller will be contacted regarding the date and time. The Board was thanked and she exited the meeting at 9:55 a.m.

A brief recess was called at 9:55 a.m. with the meeting reconvening at 10:00 a.m. with Staking Engineer Steve VanSlyke joining the meeting.

Mr. Fagley was given an opportunity to speak and he thanked the Board for meeting with him. He explained that he has been selected to complete the underground portion of the Buckhorn Project. He further explained that his concern is the required bond for the work and asked that the Board consider reducing the amount required from him. Manager Weller advised that the total bid is \$297,000 and the Bond can be reduced to a minimum of 25% of the total bid.

Attorney Graham joined the meeting at 10:02 a.m.

Attorney Graham advised that the State requires a minimum of 25% in performance bonds for P.U.D.'s and the bonding company would be required to complete the work if the contractor were to fail. The Board discussed the matter at length with Attorney Graham explaining that prevailing wage, bid bonds and performance bonds do apply and that a contract will be in place between the District and Alpine Construction and the District and Wilson Construction. These contracts will be reviewed by Kinross and Kinross will sign a second agreement which reflects their ratification of the contracts. Commissioner Davis questioned whether there were any Union issues involved and Manager Weller responded by stating that the Utility linemen will work on the line and that is the reason the Utility will be inspecting the work in progress and completing the hook-up at both ends. She further explained that Kinross is and will continue to reimburse the Utility for costs. Mr. Fagley added that he is not working on the project at this time as there is a delay resulting from the road contractor. He was scheduled to begin work on July 23 and work may now begin in August. Attorney Graham explained that, as per RCW Title 54, the Commissioners review bids, let bids and determine the performance bond amount. As a motion was made at a previous meeting to set the performance bond at 100%, this motion will need to be rescinded. Commissioner Caudell made a motion to rescind the previous motion to establish the performance bond at 100% for Alpine Construction. The motion was seconded by Commissioner Davis and unanimously approved. Commissioner Caudell made a motion to set the performance bond for the underground portion of the Buckhorn Project to be completed by Alpine Construction at 25% of the total amount of the bid. The motion was seconded by Commissioner Davis and unanimously approved. Mr. Fagley requested a formal letter documenting the Boards decision which he could provide his bonding company. Mr. Fagley and Mr. VanSlyke exited the meeting at 10:19 a.m.

Mr. Rich Trimble with Energy Northwest took the floor. He explained that his visit was part of the routine visits to members and went on to provide a brief update of Energy Northwest. The 9-Canyon Phase 3 project is proceeding, interest in the Reardan wind project is being solicited, and a fire occurred in a minor transformer power supply system at the Columbia Generating plant. The plant has since been brought back up to operating. The plant will be shut down in May and an outage tour will be conducted on May 16. The status of the new coal and gasification project is pending the climate change legislation which will be voted on in this session. Commissioner Kroupa reported that he attended a presentation regarding the Reardan Wind Project. Ferry P.U.D. had expressed an interest in the project but now, based on the risk involved, must ask that they be removed from the list. Mr. Trimble agreed to convey this message. The Satsop facility has been purchased from Duke Energy and construction is being restarted. Energy Northwest is beginning the process for a 20-year license renewal which will extend operations until 2044. Energy Northwest has taken a supporting position on the next generation of technology which allows for the reprocessing of nuclear waste. Mr. Wuerth questioned portions of the conversation with explanations provided to him. Mr. Trimble explained that he will be leaving Energy Northwest and that this will be his last official visit to the Utility. The Board thanked Mr. Trimble for his support and assistance.

Reports:

Conservation Director John Friederichs and Erin Hope joined the meeting at 11:09 a.m. for the purpose of presenting the Conservation Report.

Mr. Hope, Engineer with B.P.A. was introduced to those present.

1. A new price estimate has been received for the PV system installation on the new assisted living facility. The new estimate is twice the original bid. There were some errors made during the roof installation that will now have to be corrected before the installation can be completed. The USDA Loan & Grant Program may be able to help with the cost of installation.
2. The Utility Tax Credit for Transportation Services SB5454 passed unanimously in the Senate and failed in the Finance Committee.
3. The Post 2006 Conservation Program continues to move slowly. An increased rebate on Energy Star® will now be possible. The first semi-annual CRC report to B.P.A. has been completed and the Utility paid out less than \$4,000 in incentives. The criteria has been reduced and makes the program very restrictive. There is the possibility that help can be provided to the rural fire districts to better insulate the halls.
4. Another off-grid PV system is ready for installation pending the completion of the contract. There have been several other inquiries but no follow through. One current solar customer is interested in upgrading their system.
5. The wood waste-to-Methanol project has slowed again. The U.S. Canada Timber Tariff Agreement is tied to the Federal financing and this now seems to be failing.
6. The Republic TV Association may be installing a wireless node in Rose Valley. There is the possibility that they will be using PV and, because this would not be a residential installation, they would purchase the system. Would it be possible for them to take advantage of the Revolving Loan fund as this project is for economic development?

General Foreman Sage joined the meeting at 11:25 a.m.

7. Progress is being made slowly on a new CFL promotional program. A local supplier is again interested.

Mr. Friederichs was thanked for his report and he and Mr. Hope exited the meeting at 11:37 a. m.

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

1. Attended the Community Advisory Board Meeting. The primary topic of discussion was communication between Kinross and the public. Other topics to be discussed were identified and are economics, jobs for Ferry County, air quality and noise in relation to the transportation route and the Beal pit site noise.
2. The new health clinic located at the Cougar Corner in Curlew is coming along nicely. The Utility's portion of the work has gotten started. The wiring duct was pushed under the highway last week and one pole has been replaced.
3. The crew is moving wire on Toroda Creek in preparation for the Buckhorn Line Extension project.
4. Justin Koepke has successfully completed the training and testing and is now a Journeyman Lineman.
5. Cory Tuttle is still experiencing shoulder problems and is not able to return to work.
6. The discussion held at the March Board meeting regarding the need to replace faulty underground cable to ensure service for consumers was presented for further discussion. Commissioner Caudell asked that this statement made at the March meeting be corrected. He continued by stating that service should not be compromised and that he is concerned with the costs. He feels that the costs are increasing and the budget is his concern as prices have increased since the budget was developed. Further, as a Commissioner, he should be thinking about a rate increase just based on the increase in the cost of materials. Auditor Groth

was asked whether he should be considering raising the rates based on the costs of incidentals. Her response was in the affirmative as inflation plays a big part in the rates.

Attorney Graham questioned whether Commissioner Caudell wished to have the minutes of the March Board meeting corrected. Commissioner Caudell stated that he did not want the minutes changed but did want to reiterate that service can't be compromised.

Mr. Wuerth questioned the concerns expressed regarding the budget. Auditor Groth explained that the budget is a planning tool only and is based on the previous years expenditures. Commissioner Kroupa added that as a public utility we differ from the County in that it's budgets are relatively fixed and ours is a spending plan and can be adjusted. Manager Weller added that our funds are very flexible although reserve funds cannot be transferred into the general fund. Mr. Wuerth asked whether the budgeting issues are something the public should be concerned with. Manager Weller assured him that the financials are being monitored closely. Commissioner Caudell added that the Utility is not in financial trouble and if interested, the books are available. Mr. Wuerth thanked the Board for allowing him an opportunity to speak during the meeting. He thanked General Foreman Sage and the crew for working hard to keep the lights on.

The meeting recessed at 12:10 p.m. for lunch reconvening at 1:13 p.m. with Mr. Trimble and Mr. Wuerth not returning.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of April 10, 2007 were \$1,564,188.43 with restricted funds of \$1,307,976.18. There were five outages in the month of March for a year-to-date total of sixteen compared to thirty-two for the same period in 2006. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. It was explained that the Board will no longer sign an Accounts Payable and Payroll Warrant Register as all warrants are summarized on one register. The Board approved Warrants Numbers 1040 through 1181 in the amount of \$565,288.03 by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. The D. Hittle report was presented.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. An annual contract with Mr. Brian Ellis has been signed. Mr. Ellis will be advertising the Utility on his website where he broadcasts community events and sports. The contract is for five 30-second spots per day throughout the year. Conservation Director Friederichs is developing advertising information.
2. The official notification has been received advising the Justin Koepke has successfully passed the Journeyman Lineman test given on April 5.
3. A letter has been received regarding the Senior Sober for the 2007 Curlew Seniors. The Board was in concurrence that they would again sponsor the event in the amount of \$50.
4. A letter has been received from the Ferry County Fair requesting financial support of the Pacific Science Center's "Volts & Jolts" exhibition. No decision was made and the matter will be discussed at the May Board Meeting as Commissioner Kroupa will request assistance from Energy Northwest and B.P.A. will also be contacted.
5. A letter has been received from USDA-RUS granting the Utility's request to extend the High Cost Program for three years. All payments that are coming in now are deposited into the grant account and after all of the grant funds have been requested the payments can then be put elsewhere as determined by the Board.
6. Notification has been received from the NWPPA Board of Trustees recommending amendments for the Association. These amendments will be voted on at the Annual Meeting.
7. Energy Northwest has advised that it has approximately 300 surplus printers. The Utility has requested two laser jet printers. There is no cost to the Utility for the printers.
8. The documentation to be completed to designate the Voting Delegate at the Annual NWPPA meeting has been received. Commissioner Davis is the Utility's representative and has been selected for jury duty during this time. The Board concurred that Manager Weller contact the District Court to request his service be rescheduled.
9. A letter has been received regarding the Curlew Job Corps Career Fair scheduled for May 23. The Utility has been asked to send a Lineman this year. Our participation was missed last year.

Meetings:

1. Manager Weller and Auditor Groth will attend a CWPU meeting to be held in Ephrata later in the week. Topics will include renewal for insurance and the commencement of labor negotiations. Auditor Groth added that the anticipated medical insurance increase is 4.6% which is significantly less than in prior years.
2. The May WPUDA meeting will be held in Chelan and there is the opportunity for Commissioners to

participate in a Rocky Reach Dam Tour on May 16. Commissioners Davis and Caudell will participate in the tour.

3. Notification of the Annual APPA National Conference has been received. The event will be held in San Antonio on June 23 through 27.

General Business:

1. NWPPA will be refunding \$285 to the Utility. This is the cost of a customer service seminar that Sheila Rittel and Andrea Olson attended portions of. The Utility was not notified that the session had been shortened and Mrs. Olson did not receive all of the training as planned.
2. Have been working with a gentleman representing the Colville Confederated Tribes in the refund of the Utility Tax that has been paid on their commercial accounts. The period of the request covers three months of 2007 and the prior four years and will amount to approximately \$13,000. The Privilege Tax has now been requested and this amount is approximately \$7,000. The Utility was instructed to request a refund from the State prior to refunding the funds as it will create a hardship for the Utility. Have contacted Mason 3 P.U.D. as they have the same situation. They did not amend their tax returns however, the Utility has been advised to file amended returns. Have yet to hear from the Department of Revenue on the matter.
3. The AED has been ordered and a local doctor has agreed to work with the Utility on the required training.
4. The Revolving Loan Contract with the K-Diamond-K has been completed and the check written and presented.
5. Still working with the Forest Service and the Department of Labor regarding the property on which the Job Corps Substation is located. A meeting has been scheduled for later in the week to hopefully determine who really does own the property.
6. At the March Board meeting the Board granted authorization to charge 143 accounts to consumers 142 electric accounts in regard to damage to Utility property. Manager Weller, Auditor Groth and Attorney Graham have developed an update for Section 4.3 of the Policy Handbook. The existing and proposed wording was presented. Attorney Graham advised that he has not had an opportunity to update Section 25 but did have an opportunity to research the need to bring the changes before the consumers. Such changes do not need to come before the public as a rate hearing but can be added through a motion by the Board. No decision was made and the matter will be brought up at the May Board meeting.
7. The computer wiring upgrade of the building has been completed by NCCL of Spokane. Some minor work is yet to be completed and then all computer activity will be on the new wiring. All of the networking components will be in one central location. George Bonney of CompTech is now the Utility's IT person.
8. The Utility's insurance agent has written another letter to Mr. Bryant regarding his claim and has received no response to date. Their original offer to inspect one well and remove the contaminated soil was again presented. There is a three-year statute of limitations on this claim.
9. A letter has been received from the Department of Transportation requesting that they be allowed to install their radio equipment in the radio building on Franson Peak. As there is a joint agreement with Ferry County and Homeland Security, these entities have been contacted regarding this request. It has been suggested that the Utility waive the yearly fees for the DOT's use as the Utility is located on a DOT tower in the Keller area. The Board was in concurrence but asked that this agreement be made in writing.
10. The Sheriff Sale of the Steinbock property was held on Friday, April 13. The property was returned to Tri-County Economic Development District.
11. The possibility of again purchasing Utility jackets for new employees was presented to the Board. The Board concurred that jackets should be purchased.
12. An email has been received regarding the charges to be billed for the employee survey. Total cost will be \$1,300 and an invoice will be provided upon completion.
13. Met with Commissioner Kroupa and members of the Curlew Water and Sewer District to discuss their system.
14. An agreement and resolution have been prepared to document the new boundary line that Okanogan County P.U.D. and Ferry P.U.D.'s have agreed upon. The use of the term service territory is no longer appropriate and the term service area is to be used. The Board discussed the possible annexation of those Okanogan County residents that are served by Ferry County P.U.D.

The Attorney's Report was presented by Attorney Graham:

1. Has spent a considerable amount of time developing the four contracts for the Kinross line extension. The documents have been developed based on RUS approved contracts. The contracts will be reviewed and approved by Kinross then signed by each of the contractors. Contracts are in place to allow for the purchase and payment of materials for the line extension.
2. The Board asked that he meet with the crew individually to discuss the hydraulic oil spill and this has been accomplished and was very helpful.
3. Met with the County Auditor and her staff to search their records for the original service area agreement. Under current law, intergovernmental agreements are to be filed with the county auditor.
4. Has researched the Federal CALEA requirements. This affects telephone and internet providers and does not apply to P.U.D.'s.

5. Developing the Revolving Loan documents for the Konz transaction.

Commissioners Reports:

Commissioner Kroupa:

1. Was approached by a member of the Board of the Curlew Sewer System. He and Manager Weller met with them on April 9 to discuss their issues. The pertinent RCW's explaining that public utilities are authorized to manage sewer district and that such an action would have to be endorsed by the voters of the county were read during the meeting. The group is not ready at this time to ask the Utility to step in.

Commissioner Caudell:

1. The Pine Grove Water Project has been successfully lobbied by WPUA. It is on the WACERT and is now one of thirteen projects vying for funding.
2. The Boards receipt and interest in the Friday Fax was questioned and discussed. The amount of material available for Commissioners to read was also discussed. It is no longer possible to be informed on all issues.
3. One of the questions being dealt with for the Association is how effective they are as a group with legislation. The political action network needs to become more active.
4. Attended the 1st Climate Day in Republic with approximately fifty people in attendance. Had the opportunity to present information on the legislative bills.

Commissioner Davis:

1. Brought the survey questions before his fellow Commissioners for discussion. They all agreed that their inability to communicate outside of a meeting is an issue. The possibility of an executive session to develop the survey questions was presented to Attorney Graham who advised this would not be appropriate. A lengthy discussion followed regarding the method the Board should use to communicate with the facilitator and the situation itself. The need to respond to those employees who signed the letter was discussed. Commissioner Kroupa added that the letter is being taken seriously and should be acknowledged. Auditor Groth questioned the Boards discussion and Commissioner Kroupa explained that a third party was developing an employee survey and that the public survey had been eliminated. Auditor Groth added that the new computer system has caused a number of people to be unhappy and asked that the Board consider waiting until the new system is in place before completing a survey. Commissioner Caudell stated that his concern is that the Board is not being permitted to do it's job but is expected to be the Manager or Office Manager. He would like to see the questionnaire be a one-time event and to never hear from the employees again. Auditor Groth expressed concern that she was not given an opportunity to comment or to be made aware of the situation and that Commissioner Davis had not interviewed her. Manager Weller stated that when she talked with employees, their only concern was the direct deposit of payroll checks. She has met with management employees once and the primary issue was travel. An April 17 meeting has been scheduled with the office ladies to restate the rules as to who is to talk with customers and who is to answer the telephone. Commissioner Caudell asked that each Commissioner respond independently to the facilitator and that Commissioner Davis meet with Auditor Groth. A motion was made by Commissioner Davis to respond to the letter sent by employees expressing the Board's concern and explaining that the Board is seriously looking into the issues and working on resolving them. The motion was seconded by Commissioner Kroupa and passed with one abstention. Attorney Graham advised that the method of response is vague.

Lobbying: None

With no further business to come before the Board, the Meeting was adjourned at 5:12 p.m.

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

President

Vice-President

ATTEST:

Secretary

APPROVED:

Manager