

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
April 21, 2008

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:13 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell, and Nathan Davis, Manager John Friederichs, Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen. Attorney Steve Graham joined the meeting at 9:55 a.m.

All stood for 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.

Visitors: None

Reports:

The General Foreman's Report was presented by Manager Friederichs:

1. The crew has been working on the Wauconda Substation upgrade for the Columbia River Carbonates line extension. Took a two-hour outage in order to complete work.
2. The regulators and circuit breaker have been installed in the Job Corps Substation for the Buckhorn project.
3. Have been working on line extensions in the Malo and Curlew Lake areas.
4. Pole testing is being accomplished in the Danville area. General Foreman Sage has been helping in those areas that require two people.
5. Basin Tree Service began work on April 14 by clearing for the overhead line going to Buckhorn.
6. Todd Young was awarded the Small Works project of right-of-way power line brushing. Work began today in the Keller area and will proceed north.

The Manager's Report was presented by John Friederichs:

Meetings:

1. The Annual NWPPA meeting will be held in Anchorage, AK. The District is to designate its Voting Delegate. Commissioner Davis may attend and is the Delegate.
2. Will be attending the May WPUDA Manager's Section meeting at Skamania P.U.D. Commissioner Caudell advised that he will not be attending the Commissioner's portion of the meeting.
3. PCS will be holding a users group meeting in Denison, IA in June. Would like to send both Joyce Dunn and Sheila Rittel as there are two separate informational meetings offered. The sessions are being held concurrently so one person is not able to attend both. Requested the Board's approval to add another Customer Service Representative position. The additional position would be part-time and would work full-time during those times during the month when the work is heaviest, i.e., when bills are due around the 15th and during billing. The new PCS system does offer more than the old computer system but does require more time to accomplish the work. The current part-time Customer Service Rep. is not interested in continually working the number of hours needed and wishes to continue on a fill-in basis. The Board was in concurrence that Manager Friederichs could fill another position with Commissioner Caudell stressing that the additional position would need to be covered in the budget.

Correspondence:

1. A letter has been received from Steve Wright explaining B.P.A.'s Enterprise Process Improvement program which is helping B.P.A. save internal time and dollars.
2. An invoice has been received and paid for the Utility's advertisement in the Republic High School Year Book.
3. A thank you has been received from Stone Rose for the Utility's membership at the \$100 level.
4. A thank you has been received for the Utility's support of the Curlew Lake Fish Pen program.
5. An invitation has been received from Franklin County P.U.D. regarding Commissioner Jean Ryckman's retirement party which will be held on April 29.
6. A summary of B.P.A.'s Tribal Fisheries Restoration Agreement has been received and emailed to the Board.
7. A letter has been received from the Curlew Civic Club regarding Barrel Derby Days and providing tickets to purchase.
8. A press release regarding the approval of the Priest Rapids Project for Grant County P.U.D. has been received.
9. John Saven's commentary regarding load following and what utilities should be looking at was briefly discussed. Commissioner Kroupa reported that he is still having problems downloading email information.

General Business:

1. An article in the Wenatchee World newspaper reported that the environmental appeals had been dropped against the Buckhorn Mine project. The Mine had agreed to conduct additional monitoring and hopes to under full production in 2009.

2. The summary of advertising support paid to civic organizations was briefly discussed. Auditor Miller was asked to track the line item for the budget.
3. The summary of the line extension costs has yet to be completed. Deputy Auditor Olson has taken on additional duties which are a higher priority. Staking Engineer VanSlyke has proposed adding a Staking Technician position to the Engineering department. This additional position will allow for all data entry work, pertinent to work orders, to be completed by the Engineering department. Auditor Miller is in agreement with this proposal. Ed Forsman, Pole Tester, is currently working in this position. The Union representative has been contacted and there are no Union issues with this type of change in duties as long as the compensation remains the same. The Utility was asked to review other Staking Technician positions and to keep the compensation comparable. Mr. Forsman has worked with the crew and appears to be more suited to this type of office work. This change will free Mr. VanSlyke to perform the increasing engineering portion of his job duties. The change will also relieve the Deputy Auditor of a portion of her workload.
4. Personnel changes and proposals were presented to the Board and discussed. Cory Tuttle will be temporarily appointed to the Serviceman position effective May 1, 2008. This appointment will be for a six-month period. After six months, the appointment can become permanent. General Foreman Sage has expressed a desire to become the Serviceman when the position becomes available. If this change were to occur, the District would have no supervisory individual to lead the crew. This could result in the need for the Superintendent position to be reestablished. At the time the position was created, by a Board motion, in 1982 it was at Steps 20 through 26. At the time the position was abolished, by a Board motion, in July of 1999, the salary was \$78,000.

Attorney Graham joined the meeting at 9:55 a.m.

The new PCS computer system is more labor intensive and it now appears that the need to reinstate the Billing Clerk position is also necessary. The Utility had a Billing Clerk until the position title was changed to Customer Service Representative. Currently there are two Customer Service Representative positions and one of these individuals, Sheila Rittel, performs the billing work with Joyce Dunn acting as back-up. Sheila also acts as back-up for Joyce at the front counter. The preparation for billing is now full time work and is taking three weeks. The Billing Clerk has historically been the Deputy Treasurer but, due to learning the PCS system and keeping this work flowing, it has not been possible to learn the Treasurer duties. The reinstatement of the Billing Clerk will be a change in title rather than a change in work duties. The position of Staking Technician was again discussed. The Board expressed concern that this change would cause a problem for the crew as they had been told that the Pole Testers would also be the brushing crew. Manager Friederichs explained that the original Pole Testing position also included solar and conservation duties and the brushing work has now been contracted. The Pole Testing position would include Groundman duties and brushing with the contractor in those areas where it is impractical for the machine to operate. Met recently with General Foreman Sage and the crew to discuss tree felling. The Union Contract states that tree trimming will be done by a regular line crew. This is the full description of the work and the discussion with the crew was to develop a definition that was acceptable to everyone. It was decided that the Union statement refers to tree felling and that tree trimming is crew work. If a tree is within ten feet of a line, a groundman is not to cut it. The Contractors Representative position currently filled by Curt Brenner was briefly discussed. This is a part-time position for the purpose of the Buckhorn line extension and now the Columbia River Carbonates line extension and is not a permanent position. At this time, the CRC project will be completed in June and the Buckhorn project is to be completed in September. The completion of these projects will end the time for the part-time position. Manager Friederichs went on to explain that he has been completing Conservation Director type record keeping. Not much is available for individual projects. Is working with B.P.A., the Educational Service District, and the State for audits and recommendations for the Keller, Republic and Curlew schools. Any funding would be paid directly by B.P.A. to the Educational Service District. Columbia River Carbonates may also qualify for conservation funding and this will also be paid directly to them by B.P.A. Has been working with Ed Forsman on the high energy usage complaints and Ed has actually been working with the customers. Unless there is a significant change in B.P.A.'s funding of the Conservation position, the funding will continue to decline and the programs will continue to become more and more difficult to qualify for. The Board was asked to reinstate the Superintendent position. Commissioner Caudell advised that he will not proceed until written agreement is received from both General Foreman Sage as well as IBEW Local 77 agreeing to the rescinding of the letters establishing the General Foreman position. He further requested an analysis of the salaries, reflecting current and proposed changes to be presented at the May Board Meeting. Manager Friederichs advised that all changes should result in no increase in cost as there is no longer a Conservation Director position to be funded. The Superintendent position would be put in the place of the General Foreman with the General Foreman stepping into whatever position is available until retirement. There is currently one crew position vacant and will need to be filled with one of the Linemen or a new hire. Manager Friederichs advised that the annual performance evaluation for Deputy Auditor Andrea Olson had been completed. During the review Mrs. Olson provided a letter written to her by retired Manager Weller regarding the award of additional pay step increases. The letter asked that the Board grant Mrs. Olson more than the customary single step increase. Manager Friederichs also advised that Staking Engineer VanSlyke has asked that he be allowed to obtain his Engineering degree. The Board was asked for direction on both of these matters. The Board discussed at length direction they had received from retired Manager Weller

- regarding step increases for Management personnel, whether any one employee could perform such work as to merit an additional step increase, increased engineering responsibilities to warrant the District's need of an individual with an engineering degree, and potential District cost savings if the engineer were to obtain a degree. Attorney Graham advised that other area businesses have programs in place that allow their employees to obtain further education, at the businesses expense, with contracts with the employees for repayment of the expense of the education if the individual leaves the business within a specific period of time after obtaining a degree. Additional information will be presented at the May Board meeting.
5. The B.P.A. payment per the Standstill Agreement in the amount of \$228,418.00 has been received and invested. The Board was in concurrence that the investing of the funds was not disrespectful of the Utility's consumers as the money was not being used for something unnecessary. ***Commissioner Caudell corrected at the May 19 Board meeting. There was not Board concurrence on this matter. He is not in favor of investing these monies but wants them returned immediately to the consumers.*** There is still the possibility that the District may have to repay the funds when the true-up process is completed.
 6. A request has been received from the City of Republic for the granting of an easement for road access around the Windsor Substation. Attorney Graham advised that such an easement would not be considered gifting of public money or resources because it would be an intergovernmental transfer. The City is proposing the opening of a roadway under the Highway bridge to access property in this area. Commissioner Kroupa did question the location of the new ambulance building which is to be constructed in the area of the Windsor Substation.
 7. The Board has questioned the number of line extension completed as a result of an initial High Energy Cost line extension. To date, nine service extensions have been completed for a total of 4,700 feet.
 8. In early March contacted the Office of Regulatory Assistance regarding the District's policy of cutting off no longer serviceable power poles and leaving the stubs in place. An answer has been received explaining that, once the poles are cut off they no longer serve the original intent and become waste. The waste is to be disposed of, as such, in an approved disposal facility. The poles may be removed whole and a memo was provided to staff explaining this change. Attorney Graham advised that the poles can no longer be given to the public and a fair market value must be developed. It was explained that the Utility did charge 5-cents per foot but this practice was stopped within the past five to seven years. There could be approximately 200 poles per year that would be of no value to the Utility. Both line trucks are capable of pulling the poles. The potential liability of selling chemically treated poles was discussed. Manager Friederichs will work with the General Foreman and the crew to develop a procedure for returning the poles to the yard or selling them to the landowners.
 9. The matter of new line extension customers being asked to pay the Utility's cost of their line extension to have the basis charge billing stopped was discussed. At the current time, if a customer, who has not completed their portion of a line extension, asks to have the basic charge billings stopped, they are asked to pay the difference between what the line extension actually cost the utility to construct and the engineering estimate. If they are not interested in this option the customer is then asked to provide a written statement allowing the Utility to remove their service. It is explained that in the event they want service at a later date they will be asked to pay the expenses again to have the service reinstalled. This is verbal direction from retired Manager Weller and no written direction of this nature can be located. More to be done on this matter.
 10. The April Safety Meeting featured a presentation from MedStar. Their program was explained and the requirements for a helicopter landing site was explained. The possibility of adding a MedStar yearly membership for Utility employees to supplement the current medical insurance program was presented. The total cost of this membership would be \$1,300 per year and would cover employees and their immediate families. A motion was made by Commissioner Caudell to buy MedStar memberships for employees of the Utility. The motion was seconded by Commissioner Davis and unanimously carried.
 11. Attended another Union Negotiations meeting. There would be no changes to what the Utility has adopted in 2008 however, an addition one-half a percent salary and one-half a percent into VEBA would begin in subsequent years.

A recess was called at 11:14 a.m. with the meeting reconvening at 11:22 a.m.

12. The Utility has received no information regarding the L&I or Union accident investigations. A summation of the fatal accident, involving Bill Knutz, which occurred on March 26 was presented. Grief counseling has been offered to Utility personnel and Bill's widow and immediate family at the expense of the Utility. The Board granted the Manager discretion in the matter. Attorney Graham advised that, although the Utility is not receiving anything in return from Bill's widow, this is not considered a gift of public funds as it keeping the good will or morale of the current surviving employees. Trust accounts have been opened at Bank of America for the sons, William G. Knutz, III and Andrew G. Knutz. Arrangements have been made to include the Knutz electric meter in the monthly meter reading schedule. Attorney Graham stated that, based on conversations with Manager Friederichs and individuals in the community, Manager Friederichs handled the situation very skillfully and there is a lot of respect for him and for what was done and how the event was handled.

Commissioner Caudell questioned the tree trimming work to be accomplished. Manager Friederichs advised that he met with the crew and, because there is a tree trimming contractor working on the District, the work will be completed by the contractor which will eliminate the need for District personnel to perform this type of work.

The meeting recessed at 11:52 a.m. for lunch reconvening at 1:12 p.m.

The Attorney's Report was presented by Attorney Graham:

1. The Okanogan County Auditor has reported that there are 183 voters residing in Okanogan County but within Ferry County P.U.D.'s service territory. Mr. Rounds has met with the Prosecuting Attorney who provided suggestions and guidance. Mr. Rounds has also met with Attorney Graham and is now obtaining signatures of authorized voters. There must be a minimum of 20% of the voters who sign the petition. The signing of the petition does not mean an individual is in favor of the change just that they are in agreement of having the annexation placed on the ballot. It is hoped that the petition will be available for the Okanogan County Prosecuting Attorney in May as the proposed annexation must then be presented to both Okanogan and Ferry County P.U.D.'s before it can be placed on the ballot.

2.

Commissioners:

Commissioner Kroupa:

1. Attended the Stonerose Founders Day dinner. The Utility was acknowledged as were various artists and groups for helping Stonerose.

Commissioner Davis:

1. Was not able to attend the TEDD meeting as it was scheduled for March 26 and he felt it more important to be with the Utility employees.

Commissioner Caudell:

1. Nothing to report.

The Conservation Report was presented by John Friederichs.

1. The school audits, as discussed earlier, are to be completed in April. The Utility is to have the recommendations by early May. There may be the opportunity for the Republic School to replace their electric heaters in each classroom by converting to heat pumps. If this work is accomplished this would be the first school in eastern Washington to be converted in this manner. The Curlew School has already made significant changes in their lighting. There is the possibility that the Keller School may be able to improve their heating system as well. These upgrades would mean a considerable loss of load for the Utility.
2. Another lighting project is being researched for an area business. Their existing fixtures do not lend themselves to retrofitting and the business is hoping to complete their own upgrade program rather than involving the Energy Sense program folks.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of April 10, 2008 were \$1,436,711.84 with restricted funds of \$1,083,731.57. There were five outages in the month of March for a year-to-date total of thirteen compared to sixteen for the same period in 2007. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed
2. Work Order Inventory Number 347 in the amount of \$3,015.25 was approved by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

The Auditor's Report was presented by Rory Miller:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 2562 through 2650 and 2750 through 2878 and direct payroll deposits numbers 9900087 through 9900112 and 990127 through 990151 and wire transfer number 31 through 33 in the amount of \$772,083.94 were approved by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.
2. The 2006 Washington State Auditor's Report has been received. No findings were identified and comments made during the exit conference were included in their letter

Manager Friederichs interjected that it was necessary for Auditor Miller and himself to be authorized to process RUS reports, provide or request financial information. Resolution 08-14 "A Resolution Authorizing Signature for RUS Documents" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

3. The possibility of having the monthly billings printed and mailed locally was presented. At the present time this work is being accomplished by a subsidiary of PCS located in Oregon. The change in mailing has dramatically affected the local Post Office.
4. The Board was queried as to what additional information they would like to see in their monthly budget report. The need to see the average price per megawatt paid to B.P.A. and yearly comparison of such was requested. It was explained that as plant wears out or depreciates, it should be replaced at approximately the same rate. Depreciation is a non-cash expense and the reason it is included in the budget is because it tell the Board what they want to see.
5. A number of customer account adjustments have been completed because of the delay in customers providing meter readings to the District. Issues are also being experienced with seasonal accounts.
6. A local vendor was contacted for a proposal for the printing and mailing of the monthly bills. Digital Documents has quoted *a 6-cents savings* per bill. ~~whereas PCS is charging 41-cents per bill.~~ There is a considerable potential for cost savings to the District by having the work done locally. It has also become

apparent that the billings are not reaching our customers in a timely manner. Another issue associated with PCS subsidiaries was the discovery that the micro numbers printed on warrants were slightly outside of standard placement necessitating the need to purchase specialty envelopes at an additional cost to the Utility. The Board was asked for their concurrence to proceed with the change in the mailing of billings. Commissioner Kroupa added that the Board met with criticism when the change was made last year and were told that the local vendor could not provide the service as each bill would be folded manually. Mr. Sheffield with Digital Documents has indicated he will use his document folding machine as was proposed earlier. Auditor Miller stated that Mr. Sheffield is amenable to signing a non-disclosure statement ensuring that his employees would maintain confidentiality. Attorney Graham stated that the bills are a public record and electrical use is of public record and, this being the consensus of other P.U.D. attorneys and MRC, the matter is not viewed at a potential liability. Auditor Miller explained that the current contract has a 30-day written notification of change statement and Mr. Sheffield is ready to work through the mechanics of the electronic mailing of the bills. Commissioner Kroupa questioned whether this change would make a significant impact on the Utility's relationship with PCS. He further asked for a cost analysis after the change has been implemented. Commissioner Caudell questioned whether this work should be bid and Attorney Graham advised that the work would be of a service contract nature and the Manager had complete discretion.

Manager Friederichs reported that the County is interested in a combined public agency auction to be held at the Fair Grounds. The Board was in concurrence that Manager Friederichs could proceed with plans to participate.

Commissioner Davis reported that the County is obtaining new aerial photographs and the Utility has the opportunity to obtain a set at an approximate cost of \$200. The Board was in concurrence that Manager Friederichs could proceed with the purchase of a new set of aerial photos.

Commissioner Caudell questioned the proposed changes as represented on the organization chart provided to the Board. Manager Friederichs explained that he would like to advertise for the Customer Service Representative immediately as the person would be needed if both Sheila and Joyce were to attend the PCS training in June. Commissioner Caudell questioned whether the position would be permanent part-time with a yearly probationary period. Manager Friederichs explained that the two current Customer Service Representatives are Union and one position will be changed to Billing Clerk at no change in compensation as previously, the Billing Clerk and Customer Service Representative were both under the same pay scale. Commissioner Caudell expressed concern regarding the District's financial standing and the resulting change in the budget. Auditor Miller added that PCS will also be implementing an upgrade to the Customer Service Module which the Utility uses for customer payments and this will be the only opportunity to receive training on the changes. A motion was made by Commissioner Caudell to advertise for a part-time Customer Service Representative. The motion was seconded by Commissioner Davis and unanimously carried.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 3:26 p.m .

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager