

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
June 16, 2008

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:10 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell, and Nathan Davis, Manager John Friederichs, Attorney Steve Graham, Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen.

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

The minutes of the previous meeting were discussed with corrections and clarifications made. Mrs. Groth questioned whether all of her comments made during the May meeting had been included as she no longer has access to the minutes. Commissioner Kroupa assured her that her statements had been included. A motion to accept the minutes as corrected was made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.

Public Comment Period: None.

Visitors: Braden Danielson, Jeremy Houy, Jennine Groth and Ken Hustad.

The meeting was turned to Messrs. Danielson and Houy with First Investors. The gentlemen provided information on the service their company could provide the employees of the Utility with respect to retirement plans. No decision was made at this time. The Board was thanked for their time and both gentlemen exited the meeting at 9:42 a.m.

Mrs. Groth was then given an opportunity to speak with the Board. She explained that Bobbi Weller could not be in attendance due to a prior commitment. Mrs. Groth went on to question why she had not received a response to her email from each of the Board. She did explain that Manager Friederichs had responded but she had expected a response from each member of the Board. A copy of the email was provided to Board President Kroupa. Commissioner Caudell asked that the email be included in the meeting minutes with Board concurrence and said email messages are included as follows:

From: Charlie Groth [mailto:cgroth@rcabletv.com]
Sent: Wednesday, June 04, 2008 8:44 AM
To: jfriederichs@fcpud.com; District1@fcpud.com; District2@fcpud.com; District3@fcpud.com
Cc: auditor@fcpud.com
Subject: RE: P.U.D. Bill

John, to refresh you memory, toward the end of the board mtg, Gregg asked that a note be placed on the front counter to inform the consumers of the situation, and the Auditor said something like "sure". And Gregg then asked that a note be put on the upcoming bill, and the Auditor had no problem with that either.-Jennine

From: J_Friederichs [mailto:jfriederichs@fcpud.com]
Sent: Wednesday, June 04, 2008 8:01 AM
To: 'Charlie Groth'; District1@fcpud.com; District2@fcpud.com; District3@fcpud.com
Cc: auditor@fcpud.com
Subject: RE: P.U.D. Bill

As was stated at the meeting, given that yours was only one of three questions raised regarding the inadvertent message on the bills, I said that I would deal with the complaints on an individual basis, rather than create even more confusion by explaining a 'mistake on your last bill' to people who had either not noticed the error, or were undisturbed by it.

I had assumed that you and Mrs. Weller had received sufficient clarification of the problem at the May board meeting, and I dealt with the remaining consumer by visiting with them directly.

Best regards,

John Friederichs, Manager

Public Utility District #1
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From: Charlie Groth [mailto:cgroth@rcabletv.com]
Sent: Tuesday, June 03, 2008 6:50 PM
To: District1@fcpud.com; District2@fcpud.com; District3@fcpud.com
Cc: jfriederichs@fcpud.com; auditor@fcpud.com
Subject: P.U.D. Bill

I received my bill and was surprised to see that there was no statement or clarification on the 15 % penalty stated on the last bill. I thought at the last board meeting it was decided to put something on this current billing to make sure your consumers knew the correct information. How do you plan on informing all the consumers that the 15% penalty was incorrect and what the policy really is? I want you to know I am a proud past employee of the P.U.D. I think the P.U.D. should be honest with the consumers and the P.U.D. should be an organization with integrity. I feel you 3 commissioners need to represent your consumers and need to keep them informed correctly. I will be looking forward to getting a response and hearing what you decide to do. Thank you for your time.-Jennine

P.S. For you information, rumor has it that the commercial entry the P.U.D. had in the Barrel Derby Parade was pathetic.”

Commissioner Kroupa advised that it is not appropriate for one commissioner to make a unilateral response. He further explained that Commissioner Caudell's comments made at the end of the May Board meeting were not direction from the full Board as to how Mrs. Groth's complaints were to be handled. Mrs. Groth further questioned how the Board planned to take care of the situation as it had yet to be corrected. Commissioner Kroupa responded that he was having a hard time convincing himself that there was in fact a situation. As was explained earlier, the Board has not implemented a 15% late fee and no additional other customers have questioned the information shown on the billing. Mrs. Groth stressed that the Board is not being truthful with the customers and this matter needed to be corrected. She further questioned how the Board would inform the customers that all billings are still due on the 15th of the month. Commissioners Kroupa advised that the error was made as part of the learning curve for the new system and that errors are to be expected. Commissioner Davis expressed his dismay that the learning process for the new computer system was taking as long as it was. He added that the consumers had been apprised of the fact that the Utility was implementing a new billing system and that they were asked to be patient while the bugs were worked out. Commissioner Caudell stated that he felt the answers provided were sufficient to answer Mrs. Groth's questions. He recommended that the Utility utilize the website to provide information to consumers in matters such as these. He asked Mrs. Groth to contact him personally if she had any issues in the future. Mrs. Groth questioned whether something would be added on the next billing as to the 15% penalty charge and the billing due date of the 15th of the month. Commissioner Caudell advised that in his opinion these were aberrations. Manager Friederichs stated that the billing due date has been corrected. It was learned that the initial instructions provided to the billing personnel, by PCS, had been inaccurate and several other billing had been processed with a due date of other than the 15th. This matter has been corrected. He added that Customer Service Representatives Joyce Dunn and Sheila Rittel had both attended training in Denison, IA on the new computer system and brought back valuable information. Each lady participated in different classes in order to take advantage of the various training offered. Commissioner Caudell stated that he has been involved with the computer conversion process from the beginning and it is a significant transition with the staff doing an excellent job in everything that they can. He added that he is in agreement with Manager Friederichs in that there are times when it is best to guard against confusion and the glitches will cease. Mrs. Groth stated that she has been trying to use the Utility's website and the information is not current and questioned why it was not being maintained. Manager Friederichs advised that there have been issues with the program and Mrs. Rittel has been working with CompTech to resolve the problems. Mrs. Groth further questioned whether errors to the billings would be explained on the website. She went on to question whether the crew taking a one-hour lunch rather than their established one-half hour would be considered a gift of public funds. Attorney Graham advised that this would not be considered a gifting of public funds. Commissioner Caudell questioned whether there was a specific situation. Mrs. Groth stated that the monthly employee luncheons with the Commissioners are an issue. Attorney Graham stated that the matter is a question of good management and that isn't saying that people are 100% productive 100% of the time. From his observations at such events, business is discussed and the events are not purely social. Manager Friederichs stated that his reasoning for beginning monthly lunches was because, for as long as he has worked for the Utility, there has been an "us" and "them" or "inside" and "outside" feeling and he wants everyone to know that they work for one outfit rather than two. One day per month is a small price to pay to bring people back together. The lunches are not mandatory but are available to anyone who can attend. He went on to explain that Auditor Miller meets with the crew immediately following the Board meetings to provide information. This time could also be construed as a waste of wages for Auditor Miller. He meets with the crew each time pay checks are available which allows time to discuss issues. Commissioner Davis stated that, in view of the communication issues of the past, this is a small price to pay to resolve past issues and is certainly helping in this arena. Commissioner Caudell stated that the safety meetings were developed as a means to interface with union personnel and, at \$120 per hour, if all linemen attended the lunches this would be a significant amount of money. He feels that this is a reflection on management and there are excessive funds spent on such. He further questioned whether the crew, working in Keller or a distance away from Republic, had been called back to attend a lunch. Manager Friederichs stated that he has not called anyone in from the north or southern portion of the

county just to attend a lunch. He stressed that the lunches are not mandatory and are available to anyone who is in the vicinity and can attend. Commissioner Kroupa added that he has not seen the same people at each luncheon. Manager Friederichs stated that the safety meetings are required and provide an avenue to resolve work related matters. Commissioner Davis stated that he does not see a problem based on the information Manager Friederichs has provided. Commissioner Kroupa added that he enjoyed conversing with everyone, that he wasn't aware there were differences in lunch periods, the Utility does need to be cautious so that lunches do not become an issue and, he does agree with Manager Friederichs in his desire to improve management and employee relationships. Commissioner Caudell queried Mrs. Groth as to the status of her unemployment claim. She advised that she is waiting for a hearing date to be set by the judge. Commissioner Caudell further asked whether she were in fact appealing the decision and whether she had hired an attorney or was representing herself. Mrs. Groth advised that she had been advised that an attorney would not be necessary therefore she was representing herself.

Reports:

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

1. The Columbia River Carbonates project is moving along well. Curt Brenner is acting as the contact on this job rather than General Foreman Sage. All wire has been pulled and the line went hot June 12. There is no load on the line at this time. There are extensions on the poles which are holding the old single phase line. These extensions will be removed when the final cut-over is completed. Work is being done so as to keep customer disruption to a minimum. Customer are being cut-over individually which results in a five minute outage. It had been planned to have the project completed by June 1 however, Columbia Carbonates has made arrangements with their contractor on the site to continue using a generator through the large power outage scheduled in July.
2. Osmose will begin the pole reinforcement work in August.
3. Dick Williams received the contract for under line brush clearing with a large machine and will begin work on June 23.
4. Todd Young has completed the first portion of his contract between Republic and Keller and the work looks very good.
5. Basin Tree Service has completed the work from Republic to Wauconda and are now working on the highway leading to Kinross.
6. Pole testing is being accomplished on the Curlew to Danville transmission/distribution lines.
7. The Utility has been contacted by Kinross regarding a portion of line at the overlook mine site that is not serving their needs any longer. The Utility has been asked to take this portion over. It is serving one customer and will be inspected and all poles tested before any decisions are made. Staking Engineer Steve VanSlyke will present the information to the Board when our work has been completed.
8. The crew has completed a High Cost line extension on O'Brien Creek with one more to be completed.
9. Five regular line extensions have been completed since the May Board meeting.
10. The Wauconda Substation has been refurbished and is on-line.
11. A new service has been completed to Mt. Tolman. The service has been rebuilt and simplified with unnecessary equipment removed.

Commissioner Caudell requested an update of the crew structure. Manager Friederichs reported that he met with General Foreman Sage and he has made the decision to remain in the General Foreman position. Interviews are now being scheduled to fill a lineman position. The crew is Rick Kincaid, Justin Koepke and Jacob Burbank with General Foreman Sage filling in when necessary. Cory Tuttle is serving as temporary serviceman for a period of ninety days. The position will be put up for bid in late July and General Foreman Sage is no longer interested in this position. In response to the advertisement for a lineman, the Utility has received over ten applications from individuals just out of lineman's school. It is the intent to hire a journeyman. The Utility can only have one apprentice for every three lineman. Mr. Burbank is now a hot apprentice and will top out within one year. At that time will look into hiring another apprentice.

Mr. Ken Hustad entered the meeting at 10:25 a.m.

Commissioner Caudell questioned whether it was true that General Foreman Sage no longer had a vehicle to drive. Manager Friederichs explained that the serviceman on-call has always had a vehicle to use for after hours work. Commissioner Caudell further stated that he has been informed that Mr. Sage is no longer representing the Utility at the Kinross Community meetings, he is no longer a member of the management team for apprenticeship and union negotiations and he is no longer on the apprenticeship board of which he has been a member for eight years. Manager Friederichs explained that Mr. Sage participates locally and that Steve VanSlyke has assumed the secretarial responsibilities. Commissioner Caudell advised that it would be more prudent to have a union person in these positions as there would be closer involvement in the union and training. Manager Friederichs explained that the duties previously performed by Mr. Sage would have been performed by a management person such as a Superintendent in any other utility. The Union Shop Steward is the liaison of record with management. Commissioner Caudell stressed that he was not referring to local matters but the State group. Manager Friederichs explained that Steve VanSlyke is now the secretary and liaison for record keeping purposes.

A recess was called at 10:30 a.m. with the meeting reconvening at 10:44 a.m.

The meeting was turned to Mr. Ken Hustad with B.P.A. Mr. Hustad presented information on the upcoming contract proposals which will establish rates for the next 20-year period and will also implement the Tiered supply process. Various questions were presented to Mr. Hustad throughout his presentation. Mr. Hustad did advise that the potential molybdenum mine on the Colville Reservation is still listed by B.P.A. and, if it begins operations after 2011, power would be at the Tier 2 rate. The Utility's 1% share of the Packwood facility will be included in its high water mark calculation.

Attorney Graham exited the meeting at 11:29 a.m.

The meeting recessed for lunch as 12:03 p.m. reconvening at 1:08 p.m. with Mr. Hustad and Mrs. Groth joining the meeting.

Mr. Hustad continued his presentation. Commissioner Caudell questioned that Standstill Agreement and the payment recently received by the Utility from B.P.A. He explained that the Utility has been holding the payment under the impression that a true-up will occur at the end of the year. Mr. Hustad stated that this was a wise decision as nothing is certain until the process is completed. Mr. Hustad concluded his report, thanked the Board for their time and exited the meeting at 1:29 p.m.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A letter has been received from Mr. Larry Beardslee, Interim Director of Ferry County Public Work requesting the Utility's Truck #2 for a nominal fee. A motion was made by Commissioner Caudell to make Truck #2 available to the County for a nominal fee. Commissioner Kroupa questioned Attorney Graham whether the Utility was obligated by law on property disposal matters. Attorney Graham advised that the Utility does have specific guidelines to follow and a nominal value would not be acceptable but fair market value would be more appropriate. Manager Friederichs stated that he had searched the Internet for pricing of similar vehicles and found a range of \$400 to \$4,000. Commissioner Caudell stated that his motion still stood and advised that procedures had not been followed regarding said motion. Commissioner Kroupa stated that he had requested legal advice from Attorney Graham. Commissioner Caudell reminded all present that it is appropriate to request legal advice however Attorney Graham is not a member of the Board. Attorney Graham stated that courts have had problems with amounts such as \$10 being determined nominal. He requested that the minutes show that his legal advice to the Board is that it would be illegal to follow the motion made by Gregg Caudell. Commissioner Caudell stated that he was hoping a contribution of a vehicle to the County for a nominal fee would be appropriate as the County is strapped financially and he had hoped the County would allow the Fair to use the vehicle. There could also be a number of benefits from a gesture of such a nature in that the County may be more open to the Utility's needs in the future. He added that he would hate to see the County lose the opportunity to obtain the vehicle if they could not afford to bid on it at the auction. After further discussion, Commissioner Caudell amended his motion to state he would like to make Truck #2 available to the County for a nominal fee to be determined by management. The motion was seconded by Commissioner Davis and unanimously carried.
2. A request for support has been received for the Ugandan's Children's Choir. After a brief discussion, the Board declined this proposal. Manager Friederichs was asked to contact the sponsor to explain the Utility's position and to inquire as to the locations of donation cans.
3. A request for support has been received from the Washington Open Fiddle Contest. A motion was made by Commissioner Kroupa to advertise with the event again in the amount of \$100. The motion was seconded by Commissioner Davis and unanimously carried.
4. A letter has been received from Thomas and Victoria Kohr regarding the photo voltaic system installed by the Utility in 2006. The system had not operated correctly since installation and only recently the problem was determined to be a faulty connector provided with the system. The Kohr's requested a refund of the \$17 basic charge for the eighteen month period the system was not functioning correctly for a total of \$306. After a brief discussion and legal counsel, a motion to settle the claim by applying a credit in the amount of \$306 to the Kohr's utility account was made by Commissioner Caudell. The motion was seconded by Commissioner Davis and unanimously carried.
5. A letter has been received from John and Tree Kiesecker regarding damages which occurred on a portion of their property at the time City Pacific was constructing the Columbia River Carbonates line extension. The cost of weed control will be determined at a later time. The area has been inspected and contractor spoken with regarding the matter. The crew working in the area were not performing as expected and the General Foreman has asked that the bill be forwarded to the City Pacific office for payment. Commissioner Caudell asked that a letter of criticism from the Board be included explaining that when the contractor works in the country they need to show respect for the landowners. The Board was in concurrence that the billing should be forwarded.
6. A letter has been received from the Curlew Civic Club requesting sponsorship in the amount of \$40 again for the porta-potty located in the Town of Curlew. A motion was made by Commissioner Kroupa to again support this endeavor in the amount of \$40. The motion was seconded by Commissioner Caudell and unanimously carried.

Meetings:

1. Dan Bowers, with RUS, will visit the Utility June 18 through 20 for the annual review.

2. The IBEW Labor Contract has yet to be accepted by all CWPU utilities. Another vote has been taken and the results will not be known until June 22. Tentatively, a local Management/Union meeting will be held during the first week in July to make certain our contract is aligned with CWPU. A few minimal changes will be made upon the final acceptance. The Utility has been asked to change insurance coverage to align with other CWPU members. This type of change may result in cost-savings for the Utility. Remaining a member of CWPU will allow the Utility to offer better insurance coverage than it could if it were independently insured.
3. A Packwood Participants meeting has been scheduled for August 21 at the Cowlitz River Lodge. Commissioner Caudell restated that the Packwood generation will be used in the Utility's High Water Mark calculation adding that the facility has been marginal at best, more problems than revenue and has now become a burden to the Utility. Management was asked to include a cost benefit analysis of the Packwood generating facility in the August preliminary budget workshop. Auditor Miller was asked to attend the Packwood meeting.
4. Attended the local meeting regarding the broadband assessment in rural Washington. The final report will be provided to the UTC and to other interested local entities.
5. A B.P.A. Tiered Rates workshop will be held June 19 in Spokane.
6. A webinar will be held June 19 concerning the Integrated Resource Plan which is to be in place. This is a requirement of HR1010.
7. An Energy Northwest Executive Board meeting will be held on June 19.

General Business:

1. Sue Nush has been selected to fill the permanent part-time Customer Service Representative position. Mrs. Nush did a very good job during the time that Mrs. Dunn and Mrs. Rittel were away from the District for training. As Mrs. Rittel's position becomes more involved with PCS billing issues it is becoming more important to have a well trained individual to work at the front counter.
2. One interview for the open Lineman position has been held and another has been scheduled for June 24. A brief discussion of the applicants and position was held. Resolution 08-15 "A Resolution to Establish a Policy to Allow for Travel Expenses Associated with Job Interviews" was adopted by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.
3. Another proposal has been received from the Ruralite Magazine to provide the magazine to our consumers. The company is also now offering website hosting.
4. Resolution 08-16 A Resolution Declaring Property Surplus and Disposition of Same was adopted by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously approved. The disposal of pole butts was briefly discussed. The Utility is now able to disposal of the treated materials through the local refuse bin provider. The remainder of the pole is then made available for sale at 5-cents per foot.
5. A notification of an appeal filed by Jennine Groth regarding her denied unemployment claim has been received. The hearing has yet to be scheduled. The information pertinent to the claim was made available for the Board's review. Attorney Graham will be in attendance through the telephone hearing.
6. The possibility of offering a small children's car as a raffle item at the Ferry County Fair was presented. The vehicle would be painted to resemble a Ferry County P.U.D. truck and would be a much nicer prize than the customary solar powered cars. Mrs. Groth questioned whether anything would be offered for adults. Attorney Graham was asked to research the legality of raffling promotional items.

The Conservation Report was presented by Manager Friederichs.

1. The Utility will receive \$7,537.88 from B.P.A. as a CRC reimbursement for the first six months of the year. The calculated kWh's saved are 71,433. It is not known at this time whether this will affect the Utility's High Water Mark .
2. Obtained a brief synopsis of the audit performed by the Educational Service District for the three schools in the Utility's service area. It is predicted that, if the Republic School makes all of the recommended changes, they will save \$30,800 annually.

A brief recess was called at 2:56 p.m. with the meeting reconvening at 3:04 p.m.

The Attorney's Report was presented by Attorney Graham:

1. An Executive Session was proposed for the purpose of hearing about two items of potential litigation. The Board went into Executive Session at 3:00 p.m. for twenty minutes. The Board came out of Executive Session at 3:20 p.m. for the purpose of extending the meeting for another ten minutes. Treasurer Jayne Jurgensen and Auditor Rory Miller exited the first Executive Session at 3:15 p.m.
2. An update of the potential annexation of Okanogan County residents was provided. The Okanogan County Prosecuting Attorney has certified the signatures on the petition as being legally sufficient. Resolution 08-17 "A Resolution Approving Annexation for Election to Voters" was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Davis 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 3015 through 3121 and direct payroll deposits numbers 9900171 through 9900193 and wire transfer number 36 and 37 in the amount of \$618,695.69 were approved by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.

Commissioner Caudell will not be attending the July WPUDA meetings. Commissioner Kroupa will be attending in his place.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of June 10, 2008 were \$950,789.85 with restricted funds of \$1,462,333.33 There were eleven outages in the month of May for a year-to-date total of thirty-two compared to thirty-two for the same period in 2007. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed

The Auditor continued his report:

2. The Utility's books are now completed and balanced through April 2008. Basically, the Utility is doing ok but still need to be cautious in spending. There is the possibility that a portion of the \$70,000 cost of the study completed by Power Engineers can be capitalized. Have identified a deferred debt for a generation project. More research is needed to understand why the debt was not removed.
3. The Statistical Report was presented

A motion was made by Commissioner Caudell to return the B.P.A. Standstill Agreement monies to the consumers in the form of a rebate. The motion was seconded by Commissioner Kroupa. Discussion of the motion followed. Items considered were the operating funds at a point lower than in a number of years, the Auditor's advice that spending be done cautiously, Mr. Hustad's comments regarding the possibility that the amount of the funds may change, i.e., need to be repaid to B.P.A. upon completion of the study, it is not fiducially responsible to reduce our funds by \$229,000 and, upon completion of B.P.A.'s process the return of the funds can then be again addressed. The motion failed with Commissioners Kroupa and Davis voting against and Commissioner Caudell voting in favor.

Commissioners:

Commissioner Davis:

1. Attended the TEDD meeting. Their audit is being completed. One person is interested in the Steinbock mobile home park. No interest as yet in the Hitch n'Post Restaurant property. The City of Republic is working with TEDD to obtain a loan to assume the responsibility of the Pine Grove Water System. A concern, if this purchase is completed, will be the requirement that anyone in the area served by this water system, will be required to purchase water from the system.
2. The recent Internet survey resulted in a better response than anticipated. The possibility of utilizing the B.P.A. transmission lines for Internet fiber was discussed. Manager Friederichs will follow-up with the B.P.A. Transmission folks.

Commissioner Caudell:

1. Expressed a complaint, on the behalf of Stonesoup, wherein TEDD is now providing business training locally. This is in direct conflict with the seminars offered by Stonesoup. The previous TEDD Director worked with Stonesoup in this endeavor and the current administration is not.

Commissioner Kroupa:

1. Will attend the B.P.A. meeting in Spokane later in the week.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 5:04 p.m .

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

President

Vice-President

ATTEST:

Secretary

APPROVED:

Manager