

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
July 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, Auditor Jennine Groth and Secretary/Treasurer Jayne Jurgensen. Conservation Director John Friederichs and General Foreman Randy Sage joined the meeting later in the day.

Visitors: John and Bonnie Thompson and Cleveland Ives who entered the meeting at 9:20 a.m. and Dennis Wuerth who joined the meeting at 9:30 a.m.

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

The minutes of the June meeting were reviewed, discussed and corrected. Attorney Graham advised that, for the purpose of clarity, and in the event the lawfulness of a vote were challenged, the Minutes should reflect the names of those who vote yea or nay on a motion. Commissioner Caudell added that the Board meetings are not conducted as per Roberts Rules of Order. Attorney Graham stated that the Rules wouldn't bind the Commissioners totally and that normal parliamentary procedure would carry the day or govern the Board. The minutes were then approved as corrected as per the motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Public Comment Period:

Introductions were dispensed with as all present were introduced at the June Board Meeting.

Mr. Thompson advised that he had no specific comments. He did question whether he would be allowed to comment if a question were to arise later in the meeting. Commissioner Kroupa advised that questions would be allowed throughout the meeting as it was a public meeting.

The two newly hired employees, Customer Service Representative Joyce Dunn and part-time Customer Service Representative Gael Bohannon were introduced to the Board.

Reports:

Conservation Director John Friederichs joined the meeting at 9:15 a.m. for the purpose of presenting the Conservation Report:

1. The Republic Schools 5th and 6th grade tech club traveled to the Confluence Technology Center in Wenatchee on June 23 to compete in the Solar Drag Race sponsored by REC Silicon and Chelan County P.U.D. The team competed in the high school division as there was no division for middle school students and won their class setting a new high school class record. They also beat the time of the college team and brought home a trophy which is on display in the District office.
2. A meeting has yet to be held regarding the Public Utility Tax Credit for Transportation Services.
3. Under the Post-2006 Conservation Program the Utility is offering a \$1,250 rebate for Energy Star[®] manufactured homes. One rebate has been issued. The CFL bulbs have been delivered to Eich's. A vendor rebate will be issued based on the number of bulbs sold rather than using customer coupons as in the past. The promotion will be advertised locally.
4. A revised scope of work and price proposal has yet to be received for the work to be completed on the new assisted living facility. The individuals who have made the grant funding available will be working directly with the contractor for payment.
5. The wood waste-to-Methanol project continues. A pre-application has been submitted for funding the pilot project.
6. A proposal to extend the current high-cost program is in the developmental stages. Information regarding the cultural resource requirements is being provided by Dave Harder at Plateau Investigations.

Mr. Friederichs was thanked for his time and he exited the meeting at 9:24 a.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of July 10, 2007 were \$1,420,145.17 with restricted funds of \$1,433,172.91. There were sixteen outages in the month of June for a year-to-date total of forty-eight compared to sixty-eight 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. The Board approved Warrants Numbers 1511 through 1660 and wire transfer numbers 9 through 11 in the amount of \$367,471.45 by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.
2. The fuel summary was distributed.
3. The Financial and Statistical Report was presented.
4. The D. H. Hittle & Assoc. report was presented and discussed.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A letter has been received from Mr. Ken Hustad, B.P.A. Account Executive in Spokane advising that a meeting has been scheduled for August 1 in Portland to discuss the status of power.
2. A note has been received thanking the Utility for the good service and the good rates.
3. A thank-you has been received for the support of the Curlew Lake Association's Net Pen Project.
4. The annual drinking water report for the Pine Grove Water System has been received. The Assn. meeting is held at 5:30 on the second Wednesday of each month. The group is currently in the process of connecting to

- City water and will be implementing a task team to study funding for the project.
5. A letter has been received from River Partners promoting the "Green Dams and Blue Skies" campaign. Support of the campaign is also being requested. Commissioner Kroupa will attend the next meeting. Copies of the material is to be provided the Board.
 6. A note from WPUDA's Dean Boyer to Commissioners and Managers regarding the special issue of the Connections magazine. The special issue will be in celebration of the new headquarters building and utilities have been given the opportunity to purchase advertising in the publication. Commissioner Caudell stated that he felt an advertisement would be appropriate and encouraged the Board to consider a one-quarter page ad. He further made such a motion which was seconded by Commissioner Davis. The Board concurred that it would like to have a personalized advertisement which should include the Utility's engagement with renewables and express how proud we are to be part of the first platinum building in the State of Washington. The motion was unanimously approved.
 7. A letter has been received from B.P.A. advising that they will be conducting the annual customer satisfaction survey. Manager Weller has an appointment to discuss power and transmission questions.
 8. A letter of invitation has been received to participate in the 35th Annual Industrial, Safety and Health Conference and 34th annual pole top rescue competition. Information will be provided to the crew.

A brief recess was declared at 10:08 a.m. with the meeting returning to regular session at 10:18 a.m. with General Foreman, Randy Sage joining the meeting. Visitor Cleveland Ives did not return.

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

1. At the present time, scheduling for work orders is now out 2.5 weeks. It is hoped to have all in place and be ready for the fall influx of customers who want power before winter.
2. The Curlew Medical Clinic Building is almost completed. Next work will be the placing of the wire, transformer and switch cabinet. The overhead lines will not be removed until the wire can be removed for the Curlew Water District water pumps. When all work is completed, there will be no overhead lines at Curlew Corner although there will be one pole located near the Curlew Water System building.
3. The warmer weather has caused the Industrial Fire Precaution Level to move to a Level 2. This requires the system to be put on non-reclose. The northern portion of the District will be completed today and the southern portion will be completed on Wednesday. If the power goes off the system will stay off until the problem is corrected. This change in precaution level will necessitate the use of a battery operated drill for pole testing so that work can continue. Basin Tree Service will stop working on the District today and return when the weather permits.
4. An underground fault on the tie feeder at the south end of Town occurred late last week. The outage did not appear to be lightning caused. The feed has been rerouted and, tentatively, the repairs will be accomplished after Labor Day.

Commissioner Davis questioned the damage which occurred to the radio equipment belonging to the Ferry County Sheriff's Department. Manager Weller reported that an air conditioner has been purchased and installed in the P.U.D.'s building on Klondike. This should eliminate any future damage.

5. There is the possibility that outages will last longer as there will now be more line to inspect for repair.
6. A scheduled outage occurred Sunday, July 15 on Toroda Creek. This was to allow Wilson Construction to move wire on the Buckhorn Project. The work is progressing and the line will have a lot of ground clearance. The Utility is fortunate to have a situation like this to put in a new line. Kinross is bearing the cost of the new line which will have larger wire for more capacity in the future and restores a line that has been in place for a number of years. The same process was used for the Mt. Tolman line which allowed for the Keller Substation.

Mr. Sage was thanked for his time and he exited the meeting at 10:35 a.m.

Manager Weller continued with her report:

Meetings:

1. A Columbia Grid meeting will be held in Wenatchee on July 18. A telephone bridge will be available. Chelan, Grant and Douglas P.U.D.'s will be making presentations with the topic being communication protocols with tribes and the State.
2. The August 1 meeting regarding the Residential Exchange Program was briefly discussed.
3. NWPPA has changed some of its presentations to a webinar format. One such presentation will be held on August 15 and will discuss influencing climate change initiatives. The cost is \$25. Commissioner Caudell added that the proposed legislation for next year fell under the radar for 937 which is not really an issue for us in the existing legislation. Manager Weller was asked to monitor the presentation.
4. America's largest solar event will be held in Long Beach, CA September 24 through 27, 2007.
5. A notice for the Northwest Wage & Hour (NWPPA's arm of negotiations) meeting in Coeur d'Alene, ID on October 10 through 12, 2007 has been received. Utilities will discuss their negotiation strategies.
6. The WPUDA Managers and Commissioners meetings will be held in Ellensburg, WA later in the week.
7. A CWPU meeting will be held on August 26 at Douglas County P.U.D. to discuss both insurance and negotiations. Manager Weller and Auditor Groth will attend.

General Business:

1. At a Revolving Loan meeting held in March Gail Kuehne was appointed to serve on the committee for two additional years. The Board was asked to sign the appropriate documentation. A Revolving Loan meeting will be held at 6:00 p.m.. The two at-large positions expired in April and the Board was reminded that it is time to appoint individuals to fill these positions. Dennis Wuerth questioned whether this would be a public meeting and where the meeting notice could be found. Manager Weller explained that the meeting had not been advertised. Attorney Graham stated that the meeting was open to the public. Manager Weller explained that the purpose of the meeting was to review an application for TEDD funding of a T-1 line.
2. An example of a customer survey provided to Klickitat P.U.D. customers was provided to the Board.
3. Jackets have been ordered.

4. Information pertinent to the commissioners per diem increase was presented. The new law goes into effect in July and per diem increases from \$70 per day to \$90 per day. The wording which required a commissioner to work the major portion of a day, or four hours, has been deleted. Total per diem compensation is not to exceed \$12,600 dollars in any one year. The present Board salary structure was discussed and the Board was in concurrence that only newly elected commissioners are to receive the monthly salary amount of \$900. Commissioners may, if they so choose, provide the Utility with written instructions if they elect to waive per diem reimbursement. Attorney Graham advised that the State Constitution states that any elected body cannot raise their salary without standing for election. He further explained that he has contacted other utilities as to whether it is lawful for an automatic salary increase to go into effect because there are new Commissioners serving on the Board. He learned that is common practice for P.U.D. commissioners to resolve to have raises go up automatically as RCW's allow. An Attorney General opinion in 1986 also states that it is 100 percent acceptable to have automatic increases. His only caution is that this is an Attorney General decision and is not binding authority. Resolution 07-10 "A Resolution to Confirm Commissioners Per Diem Increase" was presented. Mr. Wuerth questioned the current Board's salary. It was explained that Commissioner Caudell receives \$700 per month and Commissioners Kroupa and Davis both receive \$900 per month. The Board that was in place at the time made the decision to allow an increase only upon election in order to avoid criticism and the appearance that they were raising their own salaries. Mr. Wuerth stated that this did not appear to be equitable. Attorney Graham reminded all that the State Constitution clearly states that elected officials cannot vote themselves a raise and that only newly elected officials may receive the raise. Mr. Wuerth further questioned whether the Board received per diem for attendance at meetings and further questioned why they received both a salary and per diem. Attorney Graham responded by explaining that P.U.D.'s are structured in this manner and not like the County Commissioners. It would not be financially practical to ask the P.U.D. Commissioners to attend the number of meetings they attend for the small monthly salaries they receive. Commissioner Caudell urged Mr. Wuerth to review RCW 54 on line to find what is current for P.U.D.'s. A motion to adopt Resolution 07-10 was made by Commissioner Davis, seconded by Commissioner Caudell and unanimously approved.
5. The conversion to the new computer system is moving along. A PCS trainer will be at the District July 30 through August 3 for hands-on training on the billing process. A PCS trainer worked with Auditor Groth and Deputy Auditor Olson for a week on the financial side of the system and inventory for Warehouseman Mike Brown. Mr. Beckner is providing the needed System 36 information to PCS. A bill stuffer will be sent explaining the new system and the Utility's need for meter reads. An advertisement will appear in the newspaper with the same information. No delinquent accounts will be transferred to the new system. The September billing will be from the new system. If necessary, the Utility will read meters in August to make certain all reads are current.
6. An update of the progress made regarding the upcoming September WPUDA meeting to be held in Republic was presented. The Managers dinner and the Friday Commissioners meeting will be held at the Fairgrounds. Commissioner Caudell reported that he has been unable to make arrangements for the Tribal dancers and singers and suggested that Madilane Perry be asked to present information on Ranald MacDonald. Thursday night the Commissioners will be hosted at the K-Diamond-K Ranch. Commissioner Caudell requested that the September Board meeting be changed from the 17th to the 18th to better meet his travel schedule. The Board was in concurrence. Appropriate notices will be published.
7. Finalizing the fireworks report. The Utility does support the fireworks in that the P.U.D. is a member of the Chamber of Commerce and Manager Weller is the fireworks committee. The vendors that the Utility works with were not as supportive as previously. This will be discussed when they visit encouraging our business.
8. Met with Mr. Todd Bowe for approximately 2-1/2 hours to discuss his concerns and questions. Has been visiting with employees and had hoped to have this completed by the Board Meeting.
9. Bernie Odegard has recently had minor surgery and anticipates being away from work for two weeks. Steve VanSlyke injured a knee last week and has an appointment with a specialist. Jennine Groth was stung by a yellow jacket over the weekend and is experiencing an allergic reaction.

A brief recess was called at 11:18 a.m. with the meeting reconvening at 11:28 a.m.

The Attorney's Report was presented by Attorney Graham:

1. An update was given on the contacts made with Okanogan County regarding the potential annexation by Ferry County of the service area in Okanogan County. The letter as proposed by the Board, indicating that the Utility is interested in an annexation if voters were so inclined, would not be acceptable to the Okanogan County Clerk. The process is essentially stalled because Okanogan County has not provided Mr. Rounds with adequate information to move forward. Attorney Graham proposed that the Board direct him to write a letter to Mr. Rounds and the Okanogan County Clerk's office explaining what needs to be done. Mr. Rounds is unclear as to the actual wording of the petition and Attorney Graham would be available to provide the required wording. Manager Weller advised that Mr. Rounds has been provided with the most recent agreement between Ferry and Okanogan P.U.D.'s. Attorney Graham explained that the Okanogan County Prosecuting Attorney will be required to either certify or reject the petition when it is received from the petitioners. Signing the petition is not a commitment to vote in favor of the annexation it is agreeing to have the annexation on the ballot. It is not clear at this time whether this would be a special election and who would bear the expense. At this time he doesn't feel that anything will happen unless the Board directs him to explain the law and contact some of the officials. The Board hasn't provided clear direction and Commissioner Caudell has inferred that this is their thing and the Attorney and Utility should not be involved. Manager Weller pointed out that this has been a continuing effort and that meetings were held with Okanogan County and Ferry County P.U.D. Commissioners at Wauconda in the late 1970's. The requirement of 20% of the voters was questioned and Attorney Graham explained that the signatures required would be Ferry P.U.D. customers. Commissioner Caudell stated that the situation was very unusual and that he wished it were people on the east side of the County so that the Utility could get back Avista territory. Commissioner Kroupa stated that our equipment is in Okanogan County and the annexation would give our customers the right to be involved in the Utility. Commissioner Caudell added that some of the consumers have met with the Board and he has heard from

others that they receive service but no representation. The question is whether the Utility assists them with our resources which is, in effect, their resources because they pay their bills. Would be in favor of taking Attorney Graham's direction as presented. The other Commissioners were in concurrence with this statement. Mr. Wuerth questioned the proposed annexation and Commissioner Kroupa provided a brief history and explanation.

2. Attended the annual one-day meeting and training of the Washington Society of Washington P.U.D. Attorneys. Topics covered included Americans With Disabilities Act, WISHA fines, and new finance mechanisms for P.U.D.'s. The Utility does not provide per diem but does cover hotel and meal expenses.
3. The public records request received from Dennis Wuerth requested the survey at the last meeting. Since that meeting the matter has been researched with great care. The only information that wasn't released were the individual surveys completed by each individual. The information has been released. Will continue to work closely with Manager Weller in the future for other public records requests. Mr. Wuerth interjected that he is happy with the information he has received.
4. The Steinbock case continues. The law suit is now by Barbie Steinbock representing herself. An Executive Session of one-half hour in length was recommended. The Board was reminded that, in the event the session ends prior to the stated one-half hour, the Board cannot return to regular session.

The meeting recessed at 12:00 noon for lunch reconvening at 1:00 p.m. in Executive Session for the purpose of discussing pending litigation and returned to regular session at 1:32 p.m. with no visitors present. (*Italic addition per 8/20/07 Board Meeting*)

Commissioners:

Commissioner Caudell:

1. Attended the PPC Executive Meeting in Portland, WPUDA diner meeting and the PPC General Forum. The WPUDA had a commissioners informational meeting on the Residential Exchange. B.P.A. will be holding an informational meeting on August 1 for the general public to learn more about the Residential Exchange. A negotiating team has been formed to negotiate with the IOU's not B.P.A. The WPUDA is in a very strong position given the 9th Circuit decision. In 2005 the rates weren't finalized which means that we can go back at least that far to establish the average cost for IOU's. In 1980 when it was determined that the residential exchange should happen the cost was 27 million dollars. B.P.A. added a zero to that figure for the residential exchange and the 9th Circuit directed B.P.A. to refigure the residential exchange. There is a 1.8 billion overpayment and it's the 28 million per month that is currently being paid. Our portion should be 10 to 15% of our power bill which should be received either as a rebate or reduced costs. The reason B.P.A. had to quit paying the IOU's is their compliance officer who signs the checks is personally liable for any checks signed and since the 9th Circuit Court decided it was an illegal check he refused to sign any more checks. RWC 82.080 applies to Utilities too and this should be researched for the potential of disputing the B.P.A. contract. RCW's will be forwarded and Manager Weller and Attorney Graham should look into and have a dialog with Paul Murphy of Grays Harbor. The purpose of this is that we have to be politically aware. Don't want to rock the boat and not show that public power is unified as we need a unified front on all levels. Asked whether the Board agreed that the Utility should proceed with due diligence and research the issue. Commissioner Kroupa added that he would like to have John Saven's take on the situation as he goes to bat for small utilities. Commissioner Caudell continued by questioning of the 1.8 billion dollars what part is an overpayment and who is going to pay us back as B.P.A. doesn't have any money. They have what we pay each month plus a margin of 1.6 billion dollars. Mr. Murphy has stated that legally we can or B.P.A. can send a bill to the IOU's to pay that back. B.P.A. will likely file a rehearing not an appeal with a motion to reconsider the 9th Circuit. PUC in Oregon is a serious joker in the deck that doesn't want things to change at all and hasn't acknowledged the 9th Circuit decision at all. Our negotiators are trying to persuade Oregon that there are real reasons that this should change. This has been the first loss B.P.A. has had. Manager Weller and Commissioner Kroupa were encouraged to weigh in and maintain that we want our money back now, that we want relief. Has concern over how to tell customers that B.P.A. has overbilled 1.8 billion dollars and we are still making payments. Commissioner Kroupa added that public power in general has paid the 1.8 billion not just Ferry County P.U.D. Commissioner Caudell continued by stating that the 1937 renewable initiative which was supposed to be a sit-down with CTEDD and the UTC for rule-making has gone south on us. Have twenty rules and IOU's don't have any and don't know how they are going to make that change in our favor. This is not something that public power utilities can live with. This was supposed to only monitor the situation and now they are into rate regulation. Giving CTEDD rate regulation over public utilities and not private is obscene.
2. Will be attending the State meetings in Ellensburg.

Commissioner Davis:

1. Attended the latest TEDD meeting in Colville. TEDD has been going through a lot of changes. A new Executive Director, Leslie Jones, has been hired and two days after the meeting it was learned that the loan person resigned. One issue is the quad-county report which had to do primarily with Tim Coleman putting together a report primarily reflecting financial type jobs and how much they pay. It was learned that the figures included Okanogan County which really changed the numbers. There has been a lot of discontent with the information. This information will be going to Congress which will say that we're doing okay. The report also lists organizations that don't agree with the content but are listed as contributing to the report. This wasn't in that light, just provided facts and figures. Now when the legislators receive the report from this portion of the country and logging and mining are on the report they won't be considered as important. A response to the initial document will be prepared disputing the inclusion of Okanogan County information and recalculating the data in an attempt to show that some counties in this area are hurting. Commissioner Caudell questioned whether Pend Oreille County P.U.D. had paid their \$20,000 annual dues. They had been withholding their payment as they were not seeing much for their money.
2. Has been researching the scope of dealing with problems and has been looking into any kind of grievance policy that the non-union employees might have. A draft will be prepared for future discussion. Commissioner Caudell questioned why this task was not assigned to staff. Commissioner Davis explained that he is looking into what policy, if there is one, and there isn't from what he has learned for non-union employees if they have a grievance. Manager Weller interjected that non-union employees do not have a grievance process like the union personnel. Commissioner Davis questioned whether there was and procedure for dealing with problems.

Manager Weller questioned whether past Commissioner Ciaia has passed along all of the policies in place at the Utility. Manager Weller will provide the information.

Auditor Groth exited the meeting at 1:59 and did not return.

Commissioner Kroupa:

1. Will attend the Energy Northwest meeting July 24 through 26. Will attend the NRU meeting in Portland on July 31 and the following PPC meeting. Will have more to report at the August meeting. Will pass along Commissioner Caudell's points. Most of the email messages he has been receiving are centered around the residential exchange.

A brief recess was called at 2:00 p.m. with the meeting returning to regular session at 2:03 p.m. with Mr. George Bonney joining the meeting.

The Board went into Executive Session at 2:05 p.m. for fifteen minutes to discuss security issues. The Board returned to regular session at 2:23 p.m. Mr. Bonney was thanked for his time and he exited the meeting at 2:35 p.m.

Commissioner Caudell questioned whether it would be possible to email the material for the August meeting as he will be out of the area and attending the meeting via telephone.

Attorney Graham thanked the Board for his opportunity to serve on the Revolving Loan Committee. He stated that if the Board were looking at someone else to fill his position this would be acceptable although he would be interested in serving another term. He posed the question of how the public might view the Utility's Attorney serving in a public capacity.

Lobbying: None

With no further business to come before the Board, the Meeting was recessed at 2:43 p.m. until the Revolving Loan meeting at 6:00 p.m.

The meeting reconvened at 6:00 p.m. as a Revolving Loan meeting. Those present were Commissioners Chris Kroupa, Nathan Davis, Gregg Caudell, Directors Steve Graham, Dan Miller, Gail Kuehne, Recording Secretary Roberta Weller and guests Jeni Forman, Ron O'Halloran and Henry Kuehne.

The two-year terms of Directors Steve Graham and Dan Miller have expired. Both gentlemen agreed to continue on the Board. A motion was made to retain Messrs. Graham and Miller. The motion was seconded and unanimously carried.

A grant request to fund broadband redundancy for the Ferry County area for one year was submitted by Tri-County Economic Development District. The request was taken under advisement. Commissioner Caudell moved and Director Miller seconded the motion to fund two T-1 lines for Tri-County Economic Development District for three months, up to \$6,000.00 to be billed monthly by TRICO to the P.U.D. The motion unanimously carried.

the P.U.D. Commissioners authorized Manager Weller to work with Mr. Nichols of the Republic TV Association to pursue obtaining redundancy by using one more T-1 line through the P.U.D..

With no further business to come before the Board, the meeting adjourned at 7:55 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager