

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY  
REGULAR MEETING OF COMMISSIONERS  
July 20, 2009

The regular meeting of the Board of Commissioners was called to order by President Nathan Davis at 9:03 a.m. Present were Commissioners Nathan Davis, Chris Kroupa and Doug Aubertin, 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 Aubertin.

Visitors: Jim Oakley, Energy Northwest, Ken Hustad, B.P.A., Bobbi Weller and Jennine Groth

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

Mr. Oakley provided an up-date on the various activities of Energy Northwest with Board questions answered. Lewis County and Centralia City Light will be joining Energy Northwest at the upcoming July meeting. The Member Forum will be held at the October meeting.

Mrs. Groth advised that she would be electronically recording portions of the meeting. She further reemphasized to the Board her desire to see that the Board did the right thing and returned all of the B.P.A. settlement dollars to the consumers. She also questioned whether the financial information, as requested at the previous meeting by Mr. Caudell, had been added to the website stating further that she had not been to the website herself.

Mrs. Weller exited the meeting at 9:54 a.m.

A brief recess was called at 9:54 with the meeting reconvening at 9:59 a.m.

The Board went into Executive Session as per RCW 42.30.100(1)(I), at 9:59 a.m. for fifteen minutes for the purpose of discussing pending litigation. The Board returned to regular session at 10:12 a.m. and immediately recessed until 10:15 a.m.

Ken Hustad, Jim Oakley and Jennine Groth returned to the meeting.

The meeting was turned to Mr. Hustad who provided information regarding the upcoming B.P.A. rate increase. Mr. Hustad was advised that portions of the meeting were being electronically recorded. New power rates will become effective October 1, 2009. A Record of Decision will be issued on July 21, 2009. The last rate increase was in 2002. A 7.5% increase is anticipated with the ROD to reflect the actual increase. Step rate increases will be offered to some utilities with Ferry being one. If Ferry accepted the Step Increase it could look at a 5.2% rate increase in Fiscal Year 2010 and a 9.9% increase over the 2009 rates in Fiscal Year 2011. B.P.A. is moving forward with the implementation of the long-term contracts signed in 2008. 2010 will still be a critical year as it will establish the power load that can be purchased from B.P.A. at the Tier 1 Rate. The Utility's share in the Packwood Project will affect the power that the Utility can purchase from B.P.A. The Utility's total retail load forecast for 2010 is 11.156 megawatts with minimal load growth anticipated. By November 1, 2009 the Utility will have to decide how it will serve those loads above the high water mark at the Tier 2 rate. B.P.A. will offer Tier 2 alternatives that will allow utilities to purchase specific resources that they wish to make available. A melded Tier 2 product will be available for full requirements customers. The Utility is currently receiving a credit on its Power Billing in the amount of \$22,838 per month. This amount is based on the Fiscal Year 2009 plus 2002 through 2006 overpayments of the residential exchange. Beginning October 1, 2009, the Utility will continue to receive monthly payments for the 2002 through 2006 period which will be closer to \$10,000 per month. The exact amount will be clarified in the Record of Decision. This credit is a separate amount and not melded into the rates. The refund and credits are for all of the District's load, anything paid for by the preference rate. It is B.P.A.'s intent to have the monies paid back within seven years and the process should be completed around 2015. Another court case is pending in the 9<sup>th</sup> Circuit regarding power sold to the IOU's and then purchased back by B.P.A. at a rate higher than at which it was sold. There should be very little risk to the Utility of having to repay the refund and credits to B.P.A. It was questioned whether the refund monies were based on the District's residential customers only. Again Mr. Hustad advised that the monies covered the entire load and that it is up to each utility to determine how the monies can be used. Attorney Graham advised that a legal issue could develop if the Utility attempted to calculate to the penny how much each customer paid and refund monies in that manner and that the Utility's litigation risk would increase. The Board thanked Mr. Hustad for his time.

Reports:

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

1. The underline brushing work is progressing well. One contractor has one week of work remaining. Seattle Tree Service is working in the northern portion of the District and has approximately two weeks of work with two additional weeks of clean-up and work in trouble areas.
2. The crew has been completing work orders throughout the month. There have been a substantial number of line extensions and all is going well.
3. Pole testing on the 34.5 line toward Republic continues. If work continues at the current rate, the target for 2009 will be met.
4. Transformer and meter data verification continues. This project should be completed this year.

Commissioner Kroupa questioned the number of vouchers processed for the brush clearing work. Auditor Miller explained that the expense is not greater than budgeted and that the Utility is not losing ground. Manager Friederichs advised that another year like this year will allow the District to be on a maintenance program rather than just catching up. The metal stubbing program was briefly discussed. Manager Friederichs explained that only troublesome replacements will be stubbed and, as RUS does not like to see this process used, the District will only have a few of the metal stubs. This process is advantageous to the Utility in unusual situations.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A note has been received from Katie Wimpari asking that the Utility purchase an advertisement to help her travel to the National American Miss Pageant. No decision made at this time pending Attorney Graham's review.
2. A request for funding has been received from the Lucky Horseshoe 4-H Club for their annual horse show. No decision was made at this time pending additional information.
3. A letter has been received from the Ferry County Commissioners advising that it is imperative that Mr. Sam Jenkins, Republic ARES/RACES coordinator be granted immediate, personal access to the Utility's radio building. At the present time, Mr. Jenkins must contact the Utility and meet a P.U.D. employee at the site in order to gain access. Allowing Mr. Jenkins to have a key to this building will also allow him access to all substations and P.U.D. facilities. Manager Friederichs stated that he did not feel it was prudent of the P.U.D. to allow access to the facility. The Board concurred.
4. A local blood drive is being held at the Fire Station from 1:30 p.m. until 5:00 p.m. today.

Meetings:

1. A Packwood Hydro meeting will be held in Olympia on September 15. Mr. Hustad questioned whether the Utility had considered disposing of its 1% share of Packwood. The amount of power that the Utility can purchase from B.P.A. is reduced by this amount.
2. The NRU and PPC meetings are scheduled for August 5 and 6 in Portland. Commissioner Kroupa will attend.
3. Mike Brown will again be attending a workshop presented by Titan Truck in Spokane.

Commissioner Kroupa advised that he will be attending the July 26 picnic and encouraged his fellow Board members to also participate. Attorney Graham cautioned that all three commissioners may be together at one time as long as no meeting is held. They are free to talk about non-P.U.D. matters. They are also free to visit with consumer and answer any questions which may be posed.

Bobbi Weller entered the meeting at 11:40 a.m.

General Business:

1. The Utility has received an email regarding its interest in the Nuscale study. The Board directed Manager Friederichs to respond, indicating that the Utility would be interested in participating in the study.
2. The draft customer survey was discussed with additions requested. The survey will be mailed with the July billing statements.
3. Planning for the July 26 Outage and Picnic has been completed. Several local groups and individuals will have tents and displays during the picnic. Quite a number of B.P.A. folks will be helping during the picnic as well. Overall comments regarding the picnic have been positive, with the exception of two individuals. Still attempting to set one weekend during the summer when B.P.A. can perform needed maintenance work.
4. As time permits, the line crew will be expanding the pole top rescue practice pole to incorporate different rescue possibilities.
5. The WPUDA will be featuring Columbia River Carbonates and the Utility in an upcoming WPUDA publication.
6. Information has been received from WPUDA regarding awards. The Utility may have nominees for the Walkley Scholarship.

The Conservation report was presented by Manager Friederichs:

1. Still offering CFL bulbs to customers. They will also be available during the Fair.
2. Interest has increased in the window replacement program. B.P.A. has increased the allowable rebate from \$.70 per square foot to \$6.00 per square foot.
3. One of the High Cost Solar installations will be replaced with a conventional line extension. The consumers did not have adequate power during the winter months. The solar system may be relocated to another individual who has expressed interest.
4. B.P.A. has offered a low-flow shower head program and the Utility will be participating. These will also be available during the Fair.

The meeting recessed at 11:57 a.m. for lunch reconvening at 1:03 p.m. with Bobbi Weller and Jennine Groth returning.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of July 10, 2009 were \$932,613.09 with restricted funds of \$1,672,442.32. There were nineteen outages in the month of June for a year-to-date total of sixty-one compared to forty-nine for the same period in 2008. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.

The Auditor's Report was presented by Rory Miller:

1. The Exit Interview was held with the State Auditor's Office. No findings were identified and they have provided a clean opinion.
2. The most recent RUS Statement of Account reflects a balance owing on the debt of \$660,000 after the \$250,000 was deposited into the Cushion of Credit Account. This figure is at a realistic amount to clear entirely.
3. Work is underway on the 2010 Budget. One more staff meeting will be held after the B.P.A. rate increase amount is known. A preliminary budget workshop for the Board will be held on August 17, budget will be finalized and published to website by September 1, the public hearing will be October 19 with the following two months to allow for public comment and adoption. The annual budget is typically adopted in November.
4. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 4541, 4542

and 4621 through 4758, direct payroll deposits numbers 9900526 through 9900554 and wire transfer numbers 73 through 75 in the total amount of \$508,609.02 were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.

The Attorney's Report was presented by Attorney Steve Graham:

1. Attended the WPUA Attorney's workshop. Was a very beneficial meeting. Pertinent information included updates on employment law, recall petitions, open public meetings act, executive sessions, B.P.A. Regional Dialogue, and a special presentation entitled "NERC, WAC, FDA - Acronyms You Don't Know Can Hurt You".

Commissioners:

Commissioner Kroupa:

1. Attended no outside meetings.

Commissioner Aubertin:

1. Attended no outside meetings

Commissioner Davis:

1. Attended the TEDD meeting and provided an overview.
2. Attended the July WPUA meeting and reported on the information gathered. There will not be a WPUA meeting held in the month of August.

The meeting recessed at 2:20 p.m. and reconvened at 2:40 p.m.

Attorney Graham provided his recommendation regarding the financial request submitted by Ms. Wimpari. As this request will benefit an individual rather than a district-wide event he recommended not supporting. An appropriate letter will be written by Manager Friederichs. Manager Friederichs advised that the Wings Over Republic group has requested sponsorship. The Board concurred that the amount of \$100, as paid in the past, would again be appropriate. The request for support for the 4-H club's event was discussed and the decision made to not sponsor as the focus is not District-wide. A lengthy discussion followed with Attorney Graham and Auditor Miller to develop guidelines for the Utility's sponsorship of events.

The meeting recessed at 3:00 p.m.

On Wednesday, July 22, 2009 the recessed meeting of the Board of Commissioners was called to order by President Nathan Davis at 9:03 a.m. Present were Commissioners Nathan Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Attorney Steve Graham, Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen.

Visitors: Art and Nancy Morris, Joe Bond, Ben Wyckoff, Jennine Groth, Steve and Bonnie Howard, Kent McCormack, Bobbi Weller and Gregg Caudell joining the meeting at 9:10 a.m.

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

Commissioner Davis explained that Auditor Miller would make a financial presentation based on the upcoming B.P.A. rate increase. Upon completion of the presentation the meeting would be open for public comment.

Auditor Miller advised that the B.P.A. wholesale power rate increase is to be 7.5%. This amount may be refined further either up or down by B.P.A. The actual Record of Decision is a very lengthy document and an individual case is developed for each utility. Mr. Ken Hustad, Ferry's B.P.A. Representative for Power has advised that a refined case will be completed for Ferry. The rate increase affects energy and demand but not transmission. The Utility has less than one-million in RUS debt and a rate has been developed to allow the debt to be reduced. This rate will allow the District to save \$50,000 in interest each year and roughly \$20,000 in additional services associated with the debt. He further explained that it is the Commissioner's fiduciary responsibility to raise rates to cover costs. Not covering expenses would further worsen the Utility's financial position. Additional possibilities were presented with the fact that the Utility will have to pay a 7.5% B.P.A. rate increase stressed.

At the completion of Auditor Miller's presentation the meeting was opened for public comment. Items discussed included:

- The possibility of utilizing a step option for the 7.5% B.P.A. rate increase. This option would allow the District to realize the full increase over a two-year period.
- Utilizing the B.P.A. Look Back funds to offset the rate increase.
- Refunding 100% of the B.P.A. Look Back funds to the consumers. It was pointed out that, in the event this option were implemented, consumers would most likely be faced with a rate increase in excess of the 7.5%. The lengthy and legal requirements of identifying consumers who would qualify for a refund.
- Not passing along the B.P.A. rate increase, refunding the B.P.A. monies and utilizing the balance of the reserves which would not be a financially sound decision.
- Paying down the Utility's RUS debt of approximately \$600,000 and the associated cost savings to the District. The loan debt is scheduled to be paid in the year 2018. The District pays approximately \$50,000 annually in interest. Clearing the debt will not change the Utility's ability to obtain RUS financing in the future if necessary. Clearing the debt will relieve the Utility of the RUS requirement of having a long-range plan developed every five years. The most recent plan had a cost of \$90,000. The State Auditor's Office must also complete a separate annual RUS audit with a cost of \$10,000. If there were no RUS debt the State has advised that the District's audit cycle would change to every two years for a financial audit which would result in another associated cost savings.
- The replacement of the service truck. It had become apparent that the vehicle continued to have issues with the transmission as it would need to have another replaced which would be the fourth since purchase.

- At the cost of \$15,000 for a replacement transmission and associated repairs, it was determined to be more cost effective to replace the vehicle as it has 120,000 miles and was scheduled to be replaced in 2010.
- Rebuilding the District reserves. The expenditure of 1.7 million dollars in 2007 and 2008 to cover operating expenses.
- The Kinross Mill Contract which allows the Utility to pass along the B.P.A. rate increase but not change the margins.
- The requirement to have funds available in the event of a catastrophic disaster. Several of the visitors advised that the likelihood of such an event occurring should not affect the Board's decision.
- Possible ways to save additional monies i.e., not complying with the annual Union salary increases and withholding pay increases for management personnel. The possibility of the Board donating their compensation back to the District was also posed.
- The effect Ferry County P.U.D. Commissioners and the commissioners of other utilities throughout the State could have on B.P.A. and its decision to impose a rate increase.
- The B.P.A. rate increase will become effective October 1, 2009
- A public hearing will be scheduled to allow additional public comment prior to the October 1 effective date.

Commissioner Davis distributed a proposed consumer survey that will be made available in the near future.

Mr. McCormack presented several pages of a petition asking that the B.P.A. funds be returned to consumers immediately. He added that additional signatures were being collected and would be submitted. He again expressed his displeasure with the time the monthly Board Meetings are held.

The meeting recessed at 11:06 a.m. and reconvened at 11:32 a.m. with none of the visitors returning.

Manager Friederichs presented a letter from the Ferry County Fair requesting sponsorship. A motion was made by Commissioner Kroupa to sponsor in the amount of \$300. The motion was seconded by Commissioner Aubertin and unanimously carried.

Mrs. Groth returned to the meeting at 11:36 a.m. and exited at 11:41 a.m.

Resolution 09-03 "A Resolution Declaring Property Surplus and Disposition of the Same" was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 11:42 a.m.

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

\_\_\_\_\_  
President

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Vice-President

ATTEST:

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager