

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY  
REGULAR MEETING OF COMMISSIONERS  
August 17, 2009

The regular meeting of the Board of Commissioners was called to order by President Nathan Davis at 9:01 a.m. Present were Commissioners Nathan Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Attorney Steve Graham who entered the meeting at 9:03 a.m., Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen.

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

Visitors: Cynthia Larson, Steve and Bonnie Howard, Nancy and Art Morris, Bobbi Weller, Jennine Groth and Gregg Caudell who entered the meeting at 9:07 a.m.

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

Introductions were made.

Ms. Larson presented the possibility of the Utility purchasing the annual calendars from her. She presented several photographs to the Board and explained that she could develop a layout in any format they desired. Ms. Larson was unable to provide a price proposal and will obtain such and provide to Manager Friederichs for evaluation. The Board was thanked for their time.

Jennine Groth advised that she would be recording portions of the meeting. She further advised that the Utility's website still does not contain the financial information as requested by Gregg Caudell two months ago. Auditor Miller responded by explaining that such an addition would be at the Board's direction. Commissioner Aubertin questioned whether a disclaimer statement could be added with the information explaining that the data has not been audited by the State. Mr. Miller further explained that most other utilities provide the State Auditor's Report or an interim financial report. Mrs. Groth continued by distributing and reading a letter to the Board regarding the B.P.A. monies.

Gregg Caudell stated that he wished to go on the record as a past P.U.D. Commissioner in support of the letter just read by Mrs. Groth. He went on to speak to the Board's consideration of paying off the outstanding RUS debt. He further advised that, in the past, the Board had been advised that operating in debt was a good thing and spoke to that. Mr. Caudell went on to question whether the Board were utilizing D. Hittle & Associates as a consultant in the rate study as the Utility has done in the past. He went on to recommend that the Board utilize Ms. Kim Mikelson to educate them in the aspect of rates and rate review. Commissioner Kroupa responded by explaining that the Board is relying on the Manager and Auditor to monitor closely the financial condition of the Utility and keep the Board apprised. A slide was presented which showed rate increases from 2001 through 2008. All but one of these rate changes was due to B.P.A.. The slide also showed the total amount of funds available, taken from the Treasurer's Reports. These funds made a continual decline throughout the seven years. The only rate increase that was not directly related to B.P.A. was in 2008. At the present time, the total Utility funds available are \$60,000 more than they were in 2008. Mrs. Weller added that the 2008 rate increase was necessary to "stop the bleeding". Commissioner Kroupa continued by explaining that the Kinross mine is now in operation yet this is not dramatically increasing the margins and the income from Columbia River Carbonates is far less than originally anticipated. Commissioner Kroupa questioned Mrs. Groth, former Utility Auditor, as to why the continual decline in funds was acceptable to her when she was an employee. He further questioned why the decision was made to not increase rates over the B.P.A. increases and to use the reserves. He also questioned why Mrs. Groth was advising the public that the Utility did not need to pass along the B.P.A. rate increase when, in the past the B.P.A. rate increases had been passed along and the Utility had more funds available during those times.

Nancy Morris spoke advising that she had been present for two Board meetings and had been reading the articles in the newspapers. She stated that she felt there was a change in philosophy from the present and past administration. She further added that the visitors could hammer at the Board but the Board has the final decision on the management of the Utility. If the public does not like the way the Utility is being managed then new Commissioners can be elected. She stated that the Board has taken a prudent stance in the current economy and again stated that the final decision remains with the Board not the public.

Auditor Miller explained that typically a larger utility is in a complex market place and is looking for growth and that the cost of debt is shared over the life of the infrastructure. In the case of Ferry P.U.D., it is faced with a different situation. It is a small utility, not even a medium sized utility, and there is no growth potential and a low population increase. The question is, should the rate payers be burdened with the debt until 2018 when it will be paid in full? The Utility does not have a complex market place, 30% of the load is Kinross including the mine and mill. At the point when these are gone, the Utility will be a residential utility. The way to save costs is to reduce debt as there is no population or load growth. Mr. Caudell interjected that the Utility does have growth, that over the past fifty years there has been a 3% residential growth every year.

The Board went into Executive Session as per RCW 42.30.100(1)(I), at 9:40 a.m. for thirty minutes for the purpose of discussing potential and pending litigation. The Board returned to regular session at 10:10 a.m. and immediately recessed until 10:17 a.m. Mrs. Weller, Groth and Howard returned to the meeting.

Reports:

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

1. The last contract for the underline brushing work will be completed this week. The work went very well and more work was completed than had been anticipated
2. Six new line extensions have either been completed or are being completed. One high cost project has been completed.
3. Substation maintenance has been accomplished as has cross arm and pole replacements.

4. Pole testing is being completed in the Lambert Creek area working south. In excess of 600 poles have been tested.
5. Transformer and meter data verification continues. The work is now being done on Toroda Creek moving south.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A letter has been received from B.P.A. advising that the 9<sup>th</sup> Circuit Court is still reviewing the "Look Back" process. Attorney Graham advised that, since the Look Back hasn't been settled and there is no law in place from the 9<sup>th</sup> Circuit, the Utility is advised to make no plans for the funds.
2. Several notes of thanks regarding the picnic have been received. The event was quite a success. The B.P.A. folks were happy to have taken part with fourteen total from Portland and Spokane helping the District. Plans are being made for a similar event next year. The exact date has yet to be established.
3. A request for funding has been received from Connections. They have requested a \$50 sponsorship for the purpose of purchasing items for Kids Day at the Ferry County Fair. Attorney Graham **advised openly disclosed to the Board (as clarified 09/21/09)** that his wife works in the Connections office. He was asked for his opinion on the request and advised that the sponsorship would benefit a broader group of consumers and would qualify and be consistent with past practice. A motion was made by Commissioner Kroupa to sponsor in the amount of \$50. The motion was seconded by Commissioner Aubertin and unanimously carried.

The time of 10:30 a.m. was reached and bids for the sale of surplus equipment were opened. Manager Friederichs reported that one bid was received at 9:02 a.m. with Attorney Graham's opinion requested. Attorney Graham advised that he would research the matter. Mr. Casey Giddings joined the meeting at 10:37 a.m. and Mr. Howard joined the meeting at 10:40 a.m.

Bids were as follows:

Eeger Beaver Chipper	Cushman Trackster	Ford F550 Truck
Ferry County Waste Mgmt \$500.00	Michael Sternberg \$256.00	Dale Munn \$5,163.50
Nathan Davis \$620.00	Richard Weber \$2,600.00	Paul Anderson \$1,100.00
Michael Messinger \$227.00	Paul Anderson \$300.00	John Hamilton \$2,150.00
Michael Sternberg \$378.00	John Hamilton \$250.00	Doug & Gayleen Aubertin \$3,101.00
Paul Anderson \$200.00	John Peder \$750.00	James Weaver \$2,759.00
John Hamilton \$500.00	Richard Weber \$3,150.00	City of Republic \$7,161.00
John Peder \$1,200.00	William Waldo Wallish \$400.00	Couse's Sanitation \$2,181.50
Pete Winchester \$877.77	Dennis Olsen \$406.00	Frank Betschart \$5,626.00
Dennis Rittel \$500.00	James Weaver \$759.00	Cheryl Lavooi \$150.00
Couse's Sanitation \$577.50	Tony Betschart \$628.25	Larry Beardslee \$1,753.67
William Waldo Wallish \$1,650.00	Cheryl Lavooi \$200.00	
Dennis Olsen \$751.00	Zack Burnside \$770.00	
Jeff Nichols \$1,000.00	Larry Beardslee \$329.06	
Randy Sage \$2,775.00		
Larry Beardslee \$331.29		

Attorney Graham advised that he inspected the clock used to time stamp the incoming bids and concluded that the bid stamped at 9:02 a.m. was received late. The bid is to be unopened and returned to the bidder.

Commissioner Kroupa and Mrs. Groth exited the meeting at 10:54 a.m. Commissioner Kroupa returned to the meeting at 10:55 a.m.

Manager Friederichs announced that the high bidders for the surplus equipment were the City of Republic - Ford F550 Truck, Richard Weber - Cushman Trackster and Randy Sage - Eeger Beaver chipper.

Mrs. Groth returned to the meeting at 10:56 a.m.

Attorney Graham advised that there is no conflict with any of the bids. Mr. Weber, although he did bid twice on the same item, is obligated to pay the higher of the two bids. A motion was made by Commissioner Kroupa to accept the bid from the City of Republic for the Ford Truck; Richard Weber \$3,150 for the trackster and the Randy Sage bid for the chipper. The motion was seconded by Commissioner Davis and unanimously carried. Mr. Giddings exited the meeting at 11:00 a.m.

Manager Friederichs continued his report:

Meetings:

1. A Packwood Participants meeting will be held September 15 in Olympia with Manager Friederichs to attend.

2. Mike Brown is attending a workshop sponsored by Titan Truck of Spokane.
3. The September WPUDA meeting will be held in Olympia the 16<sup>th</sup> through 18<sup>th</sup> with the Managers meeting on the 16<sup>th</sup>.
4. The Energy Northwest meeting will be held September 23 and 24.

General Business:

1. A claim for damages has been received from Garry Payne. The Utility's serviceman has inspected the Utility's service and found nothing out of order. Federated Insurance has denied the claim and Mr. Payne has been so advised.
2. The time line for filling the Auditor position was discussed. Advertisement is to be developed and publication by the end of August. Board in concurrence.
3. The Linemen would like to expand the pole-top rescue practice area. Will be at a minimal cost which is estimated at \$2,000. If at all possible serviceable used poles will be used which will decrease the estimated cost. Anticipate another Apprentice Lineman in the event General Foreman Sage does retire in 2010.
4. The Customer Survey Summary was briefly discussed. Receiving a good number of surveys in response. The finalized summary will be provided to all consumers with the September billing.

Mr. Howard questioned the rate increase. Commissioner Kroupa explained that the Utility is required to maintain a certain balance to comply with RUS requirements and if the B.P.A. monies were refunded the Utility's funding would be reduced to below such a level. Mrs. Howard stated that the B.P.A. money is "found money" and, because the Board made bad decisions and don't have the money needed, it is not the customers problem. Commissioner Kroupa further explained that the Board is being held in charge for problems made prior to their taking office. The charge of the Commissioners is to keep the Utility financially healthy & provide infrastructure for the community. The bottom line is that if the Utility goes bankrupt or to a certain point where a significant rate increase is required this will result in a more disgruntled community. He explained that he has spoken with a number of other commissioners and has found that one-half of the utilities did not give any money back to the consumers and the other half has given a portion of the Look Back monies. There has not been one utility in the State that has given back the full amount which is being demanded of Ferry County P.U.D. The Utility cannot continue to lose money, reduce reserves and put off capital expenditures, i.e., maintenance of the system. Retired P.U.D. Manager Weller interjected that the Utility has had a backlog for twenty-eight years and that just enough maintenance has been completed to keep the system operational.

Reports - Continued:

The Conservation report was presented by Manager Friederichs:

1. The Utility will be distributing the new style CLF bulbs and water saving showerheads at the Fair.
2. Information has been received from B.P.A. that an area agency will be distributing CFL bulbs and other energy saving items on the Colville Reservation for Tribal members. The Utility will receive a Conservation Credit for the work.

Commissioner Kroupa reported that he has spoken with individuals at NRU and WPUDA regarding the restrictive requirements associated with the conservation program.

Mr. and Mrs. Howard exited the meeting at 11:30 a.m.

The calendar was again discussed. Attorney Graham advised that the Board could provide Manager Friederichs the parameters they wish to be used in the selection process. Commissioner Kroupa indicated that he would like to see the Columbia River Carbonates photograph used on the 2010 calendar unless local pricing is less than the quoted price of the normal supplier. Manager Friederichs advised that the Utility has paid \$100 to a local photographer for photographs used on previous calendars.

The upcoming rate hearing was discussed. The Board was in agreement that the hearing would be held following the September 21<sup>st</sup> Board Meeting if the Republic School is available. The Board would then return to Regular Session on September 22<sup>nd</sup> to finalize the rate process.

Attorney Graham advised that he had no additional Attorney's Report.

Commissioners:

Commissioner Kroupa:

1. Attended the NRU and PPC meetings. Topic of discussion was the B.P.A. Tier 2 choices. B.P.A. and the IOU's negotiations will most likely cause the Look Back payments to cease once negotiations are completed.

Commissioner Aubertin:

1. Attended no outside meetings

Commissioner Davis:

1. Was unable to attend the TEDD meeting due to a conflict with the last P.U.D. Board Meeting.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of August 10, 2009 were \$861,874.56 with restricted funds of \$1,718,677.67. There were twenty-five outages in the month of July for a year-to-date total of eighty-six compared to one hundred ten 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. A Preliminary Budget Workshop was held.
1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 4664,

4759-4892, void warrants 2281 and 4811, direct payroll deposits numbers 9900555 through 9900583 and wire transfer numbers 76, 77, 79 through 81 in the total amount of \$393,867.16 were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Aubertin and unanimously carried.

Mrs. Groth questioned what the new rate would be with Auditor Miller explaining that the rate would not be set until after the public rate hearing and the Board met again.

Commissioner Kroupa and Attorney Graham exited the meeting at 2:08 p.m. Commissioner Kroupa returned at 2:10 p.m. and Attorney Graham returned at 2:22 p.m.

Manager Friederichs exited the meeting at 2:15 p.m. returning at 2:22 p.m.

Manager Friederichs reported that he had contacted the Republic Schools regarding availability of the Elementary School facility with no information available.

Commissioner Kroupa and Attorney Graham exited the meeting at 2:25 p.m. returning at 2:27 p.m.

Manager Friederichs exited the meeting at 2:31 p.m. returning at 2:45 p.m.

Manager Friederichs reported that he had the opportunity to visit with the Cooper Representative regarding a new potential system upgrade project. There is Federal funds available for remote read and controls for substations. A pricing proposal has been requested for outfitting the substations including regulators and remote read equipment for outlying meters of the District. A second proposal has been requested for the installation and a third proposal has been requested for backhaul to the office. If matching funds aren't prohibitive and it is possible to meet the second round of funding applications the proposal will be submitted. The project will begin in the Keller area due to travel time.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 2:50 p.m.

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

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Vice-President

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager