

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
August 18, 2008

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:15 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.

The minutes of the previous meeting were discussed with corrections and clarifications made. A motion to accept the minutes as corrected was made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Attorney Graham requested that he be permitted to leave the meeting prior to the lunch break due to an earlier commitment returning in the afternoon. The Board concurred.

Public Comment Period: None.

Visitors: Jim Oakley, Energy Northwest

The meeting was turned to Mr. Oakley who provided an update of Energy Northwest activities. An incident occurred at the 9-Canyon facility that caused serious damage to one cabinet. No one was injured and that cause of the problem has not been identified. They are at day 381 of the current run at the Columbia Generating Station. Their record run was 485.66 days and they are hoping to top it. They are working through environmental issues with the Department of Natural Resources for the Radar Ridge wind site. The DNR provided notification that the lease would be terminated if it could not be guaranteed that, for the life of the project, not even one Marbled Murrelette would die. The seabirds have not been located on the ridge and all is now proceeding. The facility will have an 82 megawatt generation capacity when in operation in 2011. B.P.A. inadvertently caused a relocation of the Columbia River which resulted in Chelan County P.U.D. not being able to generate enough power from their dam. This caused them to purchase the balance of power needed on the open market. Unfortunately, B.P.A. provided no prior notification of the draw-down. The Packwood hydro project is generating at 100% capacity and having to spill some water. There were a few problems earlier in the year as with other hydro sites but all has improved. The results of a recent governmental inspection resulted in the recommendation to modify the relationship between Energy Northwest and B.P.A. The ensuing changes caused tension between the two entities which is now lessening. Part of the inspection identified the need to change a condenser. B.P.A. does not want this to take place due to the costs associated. Those being an eighty-five day outage at a cost of \$1 million per day. Another option is to replace the condenser in conjunction with refueling which takes thirty-five days. B.P.A. will be responsible for the cost of this repair. The relicensing process has begun and it is the hope to have it completed by 2010 or 2011. The current license expires in 2024. Mr. Oakley thanked the Board for their time.

Reports:

The Attorney's Report was presented by Attorney Graham:

1. The Board was updated on the annexation. Provided some assistance to the Okanogan County Auditor in the development of the ballot title. There must be a public posting of the election notification in four public places prior to the vote. Commissioners and staff are now prohibited from campaigning for or against the issue as it would not be a lawful use of public resources.
2. An update on former employee Jennine Groth's unemployment appeal was presented. A hearing was held with the judge advising that unemployment compensation could not be awarded as Mrs. Groth quit her job and not for reasons ~~allowable under the law~~. **that would entitle a person to unemployment under the law. Added by Atty. Graham for clarification purposes.**
3. An Executive Session was proposed for later in the day for the purpose of discussing potential litigation involving L&I regulation compliance.

Commissioner Caudell questioned the changes to be implemented for the protection of customer information. Specifically whether the changes would apply to a utility of our size. Attorney Graham advised that the changes do affect our Utility and specific information is forthcoming. Auditor Miller advised that he is working on the matter as well and assured the Board that the Utility is very careful with customer credit information.

A brief recess was declared at 10:56 a.m. with the meeting returning to regular session at 11:12 a.m. with Attorney Graham not returning to the meeting.

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

1. Several primary cable faults have occurred at Curlew Kai as a result of the increasing temperatures. The facilities are replaced as problems arise. This area was the last direct burial project. All residential installations are now placed in conduit.
2. A new housing development is under production at Curlew Lake Heights. Six homes will be constructed in the \$150,000 to \$225,000 price range. Arrangements have been made for temporary power.
3. The Industrial Fire Precaution Level is now at a 2. The system has been placed on non-reclosure in the outlying areas. Outages have been occurring on Kuehne Road for no apparent reason.
4. The contractor has begun the pole stubbing work. The two contractors performing mechanical brush clearing have stopped work due to the fire danger. One of these contractors completed all work prior to the change and the other will complete the balance of the work in the fall. Commissioner Caudell questioned whether the contractors provided proof of liability insurance. Manager Friederichs explained that all contractors provide liability insurance prior to beginning work.

Commissioner Kroupa stated that, in a conversation with the Curlew Fire Chief, General Foreman Sage was commended for assisting in the non-reclosure policy. The Fire Chief went on to explain that he felt that over the past few years this policy has helped in not causing fires during windstorms. Manager Friederichs added that Mr. Sage continues to fine tune the process. Commissioner Kroupa added that he has received complaints from some irrigators as they must now manually restart their irrigation pumps.

5. The crew continues to complete work orders. The work orders are being prepared at about the same rate of speed that the crew is taking in completing them. Both the Engineering Department and crew are being kept busy.
6. Aaron Baldwin, the new Lineman, has begun work and is doing very well.
7. Work has begun on the Buckhorn underground feeder. The first of three cabinets is now in place. Kinross opted to hire Del Hur road contractors to dig the underground wire ditch for Alpine Construction. This change will require a meeting between Kinross, Alpine and the Utility as neither the Utility nor Alpine were not consulted prior to this change. Attorney Graham will also be involved in the meeting.
8. Columbia River Carbonates has been fully energized and has been running on our power for just over a week. The actual switch-over occurred a bit later than planned in order to make a point of contact rather than transformerizing their equipment. This change did result in a cost savings for CRC.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. Comments are being solicited on the Pine Grove Water System as part of the SEPA process. No response will be provided by the Utility as it will not be affected.
2. A letter has been received from Energy Northwest inviting the Utility to join the Nuclear Energy Institute. Mr. Oakley explained that this offer is at no cost to the Utility and would allow access to additional information on the website. Manager Friederichs will ask that this access be included in our Energy Northwest representative's information.
3. A note has been received from the Lucky Horseshoe 4-H club asking for a sponsorship of their annual summer horse show. The matter was tabled.
4. A request for sponsorship of the EDITH House has been received from the Ferry County Fire Prevention Cooperative. The Board concurred that they would again sponsor in the amount of \$100. A motion to this effect was made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.

Meetings:

1. Another notice for the upcoming Solar Summit has been received. Manager Friederichs will not ask that the Board send him as there will not be a significant benefit for the Utility at this time. Ed Forsman may be interested in attending as he is now completing the solar installations. He has completed one full installation and is putting together the largest system for the next installation. The Board discussed the current policy for solar customers. Manager Friederichs explained that the grant program requires at least 80% sun to qualify for an installation. Commissioner Caudell questioned if this requirement should be changed to allow more installations. He also stated that he would like to see the Utility sell solar systems once the Grant has been terminated. Manager Friederichs advised that, based on the State Auditor's determination, the Utility cannot sell solar installations as co-ops can.
2. The September WPUA meeting will be held in Port Angeles on the 17th through 19th. Manager Friederichs will attend and Commissioner Kroupa expressed an interest in attending the

Commissioner's portion of the meeting.

3. A CWPU meeting has been scheduled for September 17 to review contract matters.

The Conservation Report was presented by Manager Friederichs.

1. A new heat pump offer may be forthcoming. This will allow for wall-mount units but will only be available in Seattle, Portland and the Tri-Cities because of the reasonable temperatures. There is a licensed, certified installation individual in the Colville area.
2. B.P.A. has completed the audit of the Job Corps facility. The conservation project will concentrate primarily on the dormitories and housing. B.P.A. Conservation Credits will be used to help fund the project.

Manager Friederichs continued his report:

General Business:

1. Effective January 5, 2009 the Utility will be required to provide \$400 in fire resistant clothing to the outside employees. The current \$400 clothing allowance benefit will be dropped and, as per the Union Contract, will become an in-house personal protective equipment (PPE) provision. A proposed policy has been developed and will be added to the Union Contract if the Board is in agreement.

The meeting recessed at 12:01 p.m. for lunch reconvening at 1:15 p.m. Mr. Doug Aubertin joined the meeting Attorney Graham returned and Mr. Oakley did not return.

Manager Friederichs continued his report:

2. Continuing to review our options from B.P.A. regarding the upcoming contract. Had the opportunity to discuss load following with B.P.A. Once the High Water Mark is established at either 12 or 13 megawatts, one megawatt up or down will still be at the Tier 1 rate and will not increase our cost. The High Water Mark is to be determined in 2010.
3. The final Labor and Industries determination has been received regarding the accidental death of Bill Knutz. The Utility was found to be in violation of not ensuring that the employee had received training in safety related work practices that are not normally used during his regular duties as a Journeyman Line worker. A \$300 fine was assessed. A safety training session on tree felling is to be held and L&I is available to make the presentation. Manager Friederichs recommended that the fine be paid and not appealed and the Board concurred. Mr. Aubertin questioned whether it would be possible to have the citation reworded to reflect that the training provided by the Utility was not up to the L&I standards rather than it stating that no training had been provided.
4. The B.P.A. outage has been renegotiated from the Fair weekend to September 2. B.P.A. has a limited number of days to complete the necessary work and one 10-hour day from 10:00 a.m. until 8:00 p.m. will meet their needs. An email has been sent to Steve Wright from local individuals who chose to express their concerns. Again, our Utility is at the end of a radial feeder and has no other options available to serve it's customers.
5. A reimbursement request in the amount of \$140,000 has been submitted to CERB for a portion of the CRC line extension.

Commissioner Caudell questioned whether anyone was reviewing the title reports obtained for the High Energy Cost contracts as previous Manager Weller found many errors. Manager Friederichs assured the Board that the reports are in fact reviewed. Attorney Graham advised that the mistakes found by the previous Manager were not something that would lead to a defect in the Utility's ability to place a mortgage on the property. He further posed the option of purchasing title insurance. The grant loan process was discussed. Commissioner Kroupa requested that the minutes reflect the Board's wish to revisit the program in a few months when the RUS Grant process has been finalized. The review will include the loan policy and the purchase of title insurance. Attorney Graham added that the types of errors found in the title reports were primarily in the legal descriptions and this type of error is not what title insurance remedies. The insurance is to protect against liens and mortgages not discovered which would cause the Utility to be lower on the priority listing.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of August 10, 2008 were \$949,470.67 with restricted funds of \$1,541,260.75. There were sixty-two outages in the month of July for a year-to-date total of one hundred ten compared to sixty-two for the same period in 2007. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. The schedule to work in the P.U.D. booth during the Fair was presented.
3. The Board was presented with the possibility of again ordering calendars to be given to the public. This

matter was tabled until the September meeting.

Commissioners:

Commissioner Caudell:

- 1. No report.

Commissioner Davis:

- 1. Attended the TEDD meeting. The Steinbock trailer court has successfully been sold. A grant for the Pine Grove Water System was denied. Will try another route to fund the project. Working on a website featuring Ferry County businesses. The Board discussed TEDD's success in Ferry County. Director Leslie Jones will attend the October Board meeting.

Commissioner Kroupa:

- 1. Attended the Energy NW meeting.
- 2. Attended the NRU and PPC meetings. Primary topics of conversation were the tiered rate proposals and the regional dialogue. An issue arose at the PPC meeting which caused Commissioner Kroupa to write a personal letter to several individuals who were in attendance at the meeting. Steve Wright proposed that he be granted the authority to pay the B.P.A. debt early.

A brief recess was called at 2:45 p.m. with the meeting reconvening at 2:49 p.m.

The Auditor's Report was presented by Rory Miller:

- 1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 3280 through 3399, direct payroll deposits numbers 9900219 through 9900244 and wire transfer number 40 and 42 in the amount of \$425,932.53 were approved by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried. Commissioner Caudell requested that all capital expenditures of \$5,000 or more be brought before the Board prior to any purchase. Upon review of the November 2006 and January 2007 Board Meeting Minutes, a motion was made by Commissioner Caudell to cancel the Utility's membership with NW River Partners. The motion was seconded by Commissioner Davis and unanimously carried. Commissioner Caudell asked that a letter be sent explaining our financial situation and stressing our support of the endeavor.

Commissioner Kroupa brought the Curlew Fire Department's need of two used poles before the Board. Commissioner Kroupa made a motion to donate two stubs to the Curlew Fire Department for sign posts. After a brief discussion he retracted his motion. A motion was made by Commissioner Davis to donate two pole stubs to the Curlew Fire Department for sign posts. The motion was seconded by Commissioner Caudell and unanimously carried.

- 2. The 2009 Budget was presented and discussed. Commissioner Caudell commended Auditor Miller for the budget process with Commissioner Kroupa concurring.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 5:23 p.m .

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

President

Vice-President

ATTEST:

Secretary

APPROVED:

Manager