

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY  
REGULAR MEETING OF COMMISSIONERS  
August 19, 2013

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:01 a.m. Present were Commissioners Kroupa, Doug Aubertin and Dan Fagerlie; Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke, and Secretary/Treasurer Jayne Jurgensen. Attorney Steve Graham joined the meeting at 9:03 a.m.

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

Visitors: Jake Santastevens, WA State Auditor's Office; Dena Battin, Colville Rural Resources Office, and Steve Thornton with US Bank.

The minutes of the July meeting were reviewed and corrected as follows:

- ▶ Commissioner Fagerlie reported that he had not been able to attend the TEDD meeting and had asked Mallory to forward information to Commissioner Aubertin so that he would be able to attend the meeting as Alternate Representative. The District had no representation at the meeting as the information was not provided to Commissioner Aubertin.

The minutes were then approved as amended by a motion made by Commissioner Aubertin, seconded by Commissioner Fagerlie and unanimously carried.

The meeting was turned to Mr. Santastevens who proceeded to conduct the State's Entrance Conference with the Board and District personnel. Mr. Santastevens explained that the State's Mission Statement is to promote fiscal integrity, accountability and openness. The Utility is now on a two-year audit cycle as it is no longer and RUS Borrower. The Audit will cover accountability for 2011 and 2012; financial for 2011 and 2012 and Federal Grant compliance for 2012. The cost of the audit is estimated at \$22,000 with the Federal Compliance portion to be estimated at an additional \$4,000. The Exit Conference was discussed and will be scheduled for a regular Board Meeting day so that all three Commissioners may be in attendance if at all possible. The Board was thanked for their time and Mr. Santastevens exited the meeting at 9:33 a.m.

The meeting was then turned to Ms. Battin who presented information on the Project Share Program which helps individuals with emergency funding for all utilities including the purchase of wood for heating. Currently, Ferry County P.U.D. does not provide funding for the Program. Ms. Battin explained the benefits to the Utility and its' customers of a program that would allow interested customers to donate money into a special account established for the sole purpose of providing energy assistance. The funds would be paid to rural resources for distribution. Ms. Battin encouraged the Board to consider outside fund-raising efforts to fund help fund the program and she volunteered to assist in the fund-raising. Board questions were answered. A motion was made by Commissioner Aubertin to add information to each customer's billing which would allow for a voluntary contribution to the program. A discussion followed with the Board authorizing Auditor Nush to research the program. The motion on the floor died due to the lack of a second. The Board was thanked for their time and Ms. Battin exited the meeting at 10:37 a.m.

Reports:

The Engineer/Superintendent's Report was presented by Steve VanSlyke:

1. No information has been received from the BIA regarding the line rebuild South of Manila Creek.
2. The transfer switch, to be used for the Kinross generator to be located at the Republic Schools during any extensive power outages, has yet to be installed. Incorrect cable was received and receipt of the correct material is pending.
3. The 10-Mile line rebuild project is being developed. The site will be inspected by a contractor to determine what can actually be accomplished.

Commissioner Kroupa questioned whether the Utility could provide longer cables for those individuals who have purchased a generator and a GenerLink. The Utility is not able to provide longer cables but will work with customers to determine their needs.

4. ACI will begin crushing material for Ferry County at the Torboy Pit. This will result in an increase in the Utility's load for a period.

5. A proposal to modify the High Cost Energy Program to allow more potential customers to benefit from the loan program was presented. A discussion followed with the Board asking Mr. VanSlyke to develop a proposal detailing his recommendations. Manager Friederichs added that the original program guidelines were established by RUS. Mr. VanSlyke will schedule a meeting with Manager Friederichs, Auditor Nush and Attorney Graham to develop a new program.

Mr. VanSlyke was thanked for his time and he exited the meeting at 10:52 a.m.

A recess was called at 10:52 a.m. with the meeting reconvening at 11:01 a.m.

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

1. Attorney Graham advised that there were no matters pending to warrant an Executive Session.
2. Mr. Graham updated the Board on the case where a tree trimmer, working for a contractor performing work for the Utility in 2012, was attacked and strangled by a man residing on Slippery Hill Lane. Attorney Graham was asked by the Board to develop language for the Minutes to document the discussion. Attorney Graham's documentation is as follows: Mr. Friederichs had earlier written to the Ferry County Prosecutor emphasizing the District's desire that the case be prosecuted to the full extent of the law. Mr. Graham informed the Board that Mr. Sandona, Ferry County Prosecuting Attorney, agreed to dismiss the case on the condition that the defendant go to counseling and stay out of trouble for a twelve month period. The Board members shared their disappointment and asked that their displeasure be included in the Minutes.
3. The Utility continues to receive billings from a collection entity for lines crossing the old railroad right-of-way. Another letter will be sent to the collection agency advising that the railroad right-of-way is no longer privately owned and the Utility is not responsible for payment of the billings.

The Manager's Report was presented by Manager Friederichs:

Correspondence:

1. A thank you has been received from PPC for the payment of the Utility's annual membership fee.
2. Historically, the Utility has advertised on the KOMW radio station during aired football games. The Board was queried as to their desires for the upcoming football season. The Board concurred that the Utility should again advertise in support of the teams.
3. A request for donation has been received from the Stonerose Interpretive Center. Manager Friederichs will advise the Coordinator that the Utility cannot provide a donation.

Meetings:

1. Manager Friederichs and Auditor Nush will attend a CWPU meeting at Douglas County P.U.D. on August 28. There is discussion at the meetings of the possibility of smaller utilities separating from the group based on lineman compensation.
2. The WPUDA meeting in September will be attended by Commissioner Fagerlie and Manager Friederichs. The Annual WPUDA meeting will be held in December at the Northern Quest Casino at Airway Heights. All Commissioners and Manager Friederichs will attend.
3. A Washington State Emergency Management seminar will be held in Okanogan on October 22. Manager Friederichs, Auditor Nush and Superintendent VanSlyke will attend.
4. The Energy Northwest Member Forum will be held October 24 and 25. All Commissioners will attend with Commissioner Aubertin to attend the regular meeting immediately preceding the Member Forum.
5. Commissioner Kroupa added that he will attend the NRU and PPC meetings scheduled for the first part of November.

General Business:

1. Clallam County P.U.D. sent \$2,000 in payment to the Utility for its share of the Packwood facility.
2. B.P.A. has been contacted regarding the recent power bumps that have been occurring. To date, B.P.A. has provided no explanation. Such events cause the Buckhorn Mine to unexpectedly cease operations for a minimum of one hour which is a considerable interruption.
3. The Utility will again provide raffle items for children and adults at the upcoming Ferry County Fair. A GenerLink will be offered as the adult prize. Commissioner Fagerlie questioned whether Utility employees could participate in the drawings. He was advised that the drawings are not open to Utility personnel, their spouses or children.
4. Bill number 5099 has been passed by the Washington State Legislature which speaks to the

fuel usage of publicly owned vehicles. The Bill states that by the year 2015 all governmental entities must operate vehicles that are either electric or operate on biodiesel. The Utility will apply for an exception.

5. A rate impact statement has been received from Bonneville Power Administration advising that the power costs will increase 7.96%. (This will account for approximately 25% of our billing.) Information has not been received to advise of the transmission portion of the increase.

The Board discussed at length the need to schedule a public rate hearing prior to the October 1 increase implementation date. No decision was made at this time.

The meeting recessed at 12:02 p.m. for lunch, reconvening at 1:07 p.m.

Mr. Steve Thornton with US Bank joined the meeting at this time.

Manager Friederichs informed the Board of the upcoming closure of the Bank of America branch in Republic and the Utility's desire to move all financial accounts to US Bank. A discussion followed with questions answered. A motion was made by Commissioner Kroupa to allow District management to pursue a business arrangement with US Bank due to Bank of America leaving the community. The motion was seconded by Commissioner Aubertin and Commissioner Kroupa and Commissioner Aubertin voted in favor with Commissioner Fagerlie abstaining. The Board discussed the matter further with Commissioner Fagerlie then voting in favor. Mr. Thornton was thanked for his time and he exited the meeting at 1:36 p.m.

Manager Friederichs continued his report:

6. A summary of the B.P.A. power costs was presented with the monthly charges down approximately 2.3 cents per kWh.
7. Mr. Louis Walter has taken the position as the new Union Business representative.
8. The Utility's cost of 9-1-1 support has been increased by 5% as per the Ferry County 911 coordinator's billing.
9. The Utility did receive a payment from the State of Washington for partial reimbursement of 2012 storm expenses. Auditor Nush presented storm expense information with a discussion following. An extension of the Federal Compliance Audit was requested and granted by Mr. Gary Urbas of the Washington State Emergency Management department. The new Audit completion date is December 31, 2013.  
The possibility of curtailing the Storm Recovery Fee assessment was discussed at length. The Utility has adequate monies, through collection of the storm recovery fee and State reimbursement, available to clear the balance of the Line of Credit. Seasonal customers who have paid the annual storm recovery fee assessment will be provided with a credit on their accounts for that portion of the fee due for the balance of the year. A motion was made by Commissioner Fagerlie to pay off the remaining storm recovery line of credit debt to include interest and principal. The motion was seconded by Commissioner Aubertin and unanimously carried.
10. The Utility has been asked to provide \$2,500 to provide financial support to a group working on the Columbia River Treaty. The Board concurred that the Utility would not participate. Commissioner Kroupa provided additional information on the parties involved and the situation.
11. The matter of the EMS property located near the Windsor Substation was brought before the Board for discussion. The Board concurred that the Utility should move forward with the installation of a chain link fence to designate the Utility's property boundary.

Commissioner Fagerlie presented the need to have Board approval of the unofficial meeting minutes prior to publishing in the newspaper. The Board discussed the matter with Commissioner Kroupa providing background on the matter. The Board concurred that no changes would be made to the process.

Attorney Graham reported on his research of the Storm Recovery Fee assessment and the Board's ability to drop the assessment without a public rate hearing. So long as the assessment and repayment monies were not intermixed with regular Utility funds the ability to clear the debt is simple. Time lines and steps to be taken were discussed. The Board expressed their desire that all events outlined occur in the month of August. A motion was made by Commissioner Kroupa to drop the Storm Recovery Fee after the pay off of the line of credit and before the next consumer billing period with funds charged to seasonal customers to be credited back on a prorated basis for the remainder of the year. The motion was seconded by Commissioner Fagerlie and unanimously carried.

12. The need for another financial position in the office was presented to the Board. This possibility had been presented earlier in the year with the need to move forward now necessary. The State has advised that the Deputy Treasurer cannot be responsible for handling any of the payments received from customers and, specifically, deposits of such to the bank. With this in mind, none of the current office positions can serve in the capacity as Deputy Treasurer. The new position would be full time and at the same pay schedule as the Deputy Auditor. The position would also support the Auditor with tasks that would not result in a conflict of interest between the Treasurer and Auditor positions.

Attorney Graham exited the meeting at 2:59 p.m. returning at 3:15 p.m.

A recess was called at 3:02 p.m. with the meeting reconvening at 3:12 p.m.

Discussion of the proposed new position continued. Commissioner Kroupa stated that he was in favor of adding a new position as requested. Commissioner Fagerlie stated that he was not in favor of adding a position as he had polled other utilities and found they were capable of performing the work with fewer office personnel and specifically cited Kittitas P.U.D. He also recommended reviewing the Treasurer's duties to make certain they were in keeping with the position with streamlining stressed. Treasurer Jurgensen spoke with the Board regarding the need for her upcoming lengthy absence from the Utility and the need for her to work remotely during this time. Commissioner Aubertin added that the NWPPA stressed the fact that utilities need to be aware that some of their management personnel will be in the position to retire in the next three to five years and that these positions cannot be replaced by anyone, adequate time is needed to properly train personnel. Manager Friederichs continued his presentation stressing the fact that duties of office personnel have changed dramatically over time and that he did not feel that his request was frivolous and assured the Board that it had certainly been well thought-out. Commissioner Aubertin advised that there was Board consensus that Manager Friederichs should move forward with the new position of Deputy Treasurer providing duties and the wages scale to the Board at their September 16 meeting.

Resolution 13-05 "A Resolution Declaring Property Surplus and Disposition of the Same" was adopted by a motion made by Commissioner Kroupa seconded by Commissioner Fagerlie and unanimously carried.

The Conservation report was presented by Manager Friederichs:

1. The offer made to the Conservation District to work with irrigation customers has been closed. The program could not move forward.

Commissioners:

Commissioner Kroupa:

1. Attended the NRU and PPC Meetings with information from both presented.

Commissioner Aubertin:

1. Attended the Energy Northwest meeting with information presented.

Commissioner Fagerlie:

1. Attended the summer WPUDA meeting with information presented.
2. Received a call from an individual regarding the Utility's requirement to assess a \$500 Security Deposit for a business account. A discussion followed with Manager Friederichs providing history. The individual was asked to attend the Board meeting to discuss the matter but has yet to arrive.

The upcoming public rate hearing was discussed at length. The Board was in concurrence that the meeting will be held during the month of October with any rate changes necessary to become effective after the meeting.

A Commissioner rate schedule and budget workshop will be scheduled for September 17 beginning at 9:00 a.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of July 10, 2013 were \$2,298,513.69 with restricted funds of \$1,471,485.10. There were twenty-one outages in the month of July for a year-to-date total of ninety compared to one hundred twenty-one for the same period in 2012. The Revolving

Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed.

The Auditor's Report was presented by Sue Nush:

- 1, A WAC became effective August 3, 2013 which changes the basis of the public utility tax, specifically what the tax is based on. This will effect the monthly excise tax calculation and payment.
1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 10035 through 10247, direct payroll deposits numbers 902076 through 902190, Electronic Fund Transfer numbers 257 through 259 in the total amount of \$526,229.20 and warrants numbers 7661,7717, 7859, 8058 were voided and reissued to the State of Washington as unclaimed property. Warrants 10177, 10182 and 10183 were void before issue was completed. A motion was made by Commissioner Aubertin to approve the warrants. The motion was seconded by Commissioner Fagerlie and unanimously carried.
3. The Financial and Statistical Report was reviewed by the Board with questions answered.
4. A tax credit in the amount of \$2,122.70 has been received for the Utility's participation in the LIHEAP program through the Low Income Senior Citizen program.
5. Both customers eligible for the Renewable Energy Credit have provided their documentation in a timely manner.
6. The Preliminary 2014 Budget was presented with questions answered.

Mr. Bill Scott joined the meeting at 4:45 p.m.

The Budget discussion continued.

Lobbying: None

With nothing further to come before the Board, the meeting was recessed at 4:55 p.m. for the purpose of a Revolving Loan/Grant meeting.

The meeting reconvened at 5:10 p.m. with P.U.D. Commissioner Chris Kroupa presiding. In attendance were P.U.D. Commissioners Doug Aubertin, Dan Fagerlie, Manager John Friederichs and Committee members Steve Graham, Gail Kuehne and Mr. Bill Scott present.

Mr. Scott requested a change in the terms of his current loan. Based on his current business he requested a loan of an additional \$75,000.00 with a thirty year payback. A lengthy discussion followed with the Committee agreeing that an additional loan would not be possible and that an extension of the current repayment schedule could be offered. A motion was made by Commissioner Kroupa to offer a contract modification that would give Mr. Scott a one year suspension of payments, with a performance review at six months or February 2014, with interest at 5% continuing to accrue. The motion was seconded by Gail Kuehne and passed with a unanimous vote of the quorum in attendance. Mr. Graham will prepare the contract amendment.

With no further business the meeting adjourned at 6:00 p.m.

BOARD OF COMMISSIONERS  
Public Utility District Number One  
Ferry County, Washington

\_\_\_\_\_  
President

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

ATTEST:

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager