

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
August 20, 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 and Nathan Davis, Manager Roberta Weller, Attorney Steve Graham, and Secretary/Treasurer Jayne Jurgensen. Commissioner Caudell joined the meeting via telephone at 1:04 p.m. Conservation Director John Friederichs and General Foreman Randy Sage joined the meeting later in the day.

Visitors: Betty Buckley

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

The minutes of the July meeting were reviewed, discussed, corrected and approved by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.

Public Comment Period: None at this time.

Reports:

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

1. Senator Morton has been able to obtain a special two-year, \$50,000 appropriation from the Governor's budget for the special needs transportation. The first \$25,000 has been processed and is in transit. It is hoped that the two-year period will allow the needed time to have the Tax Credit for Transportation Services legislation passed. The Hospital is developing a vehicle lease and working with Community Services to share their vehicle. The Board was in concurrence that a letter thanking Senator Morton for his efforts was in order.
2. The CFL sales program is proving successful. The local vendor has already sold approximately 75% of their order. Another order may be placed if the demand continues. The installation program for the 'Hard-to-Reach' customers has resulted in the installation of over 250 bulbs. Commissioner Kroupa questioned how the Conservation Credits work into Tier 2 Power and the High Water Mark. Mr. Friederichs explained that the only conservation work the utility could do that would buy anything of substance would have to be funded by the District as none of the B.P.A. Conservation programs, financed under C&RC, impact the High Water Mark. Renewables, if accepted for the purpose of conservation, and the hours put in and the kWh's generated, should be exempted from the cap. If the Utility doesn't invest in a specific project, it doesn't receive credits for that project, i.e., the Curlew Medical Clinic which has been constructed independent of any B.P.A./Utility programs. If the Utility chooses to implement a project that B.P.A. hasn't calculated savings for, the Utility must afford the expense of the project and then prove to B.P.A. that there will be a savings.
3. One Energy Star© rebate has been processed which is less than anticipated.
4. The installation of the solar installation for the new assisted living facility continues to move forward. The electrician has agreed to drop the price an additional \$1,000.00 if the grant funding organization is able to have the project commissioned by the Northwest Solar Center.
5. The wood waste-to-methanol project has been accepted for consideration and does fit within the terms of the grant.
6. The High Cost program is still moving along. The need for the Board to determine who, in the future, will be eligible for the program is still necessary. Commissioner Kroupa questioned whether the grant funding and the economic development funding could be merged. Mr. Friederichs questioned how extending a residential line extension could be defined as economic development. He added that, under the current program, there is no allowance for line extensions for businesses. The possibility of obtaining RUS funding was discussed with Manager Weller advising that the Load Study Report is needed for RUS borrowing. Mr. Friederichs stated that the Utility is shifting to one with primarily residential customers. Commissioner Kroupa interjected that there are quite a number of utilities in this category and they are operating successfully. Mr. Friederichs added that most of the residential-only utilities have customers per foot rather than customers per mile. The Utility is going into the sixth consecutive year of substantial increases in residential customers.
7. Recently has visit from folks from the Columbia Co-op in Hepner Oregon. They are interested in the off-grid PV program and may also be interested in purchasing one of our solar systems. This type of sale has already received RUS approval.
8. Had a recent battery failure at one of the solar installations. The battery has been replaced and the unit is again fully functional. Will contact the battery supplier regarding a possible warranty. One more solar installation is pending. There are presently five solar installations and this portion of the High Cost program seems to operate in the background. It has been found that most individuals interested in solar have several neighbors who are interested in power and the project then becomes a line extension. The current net metering program is not up to what the State requires and has not been brought up to date. The solar program in place in Ellensburg and Chelan's SNAP program were briefly discussed. Both of these areas have adequate population density for green power. B.P.A. has determined that this area is a Class 3 for solar production. This is on a scale of 1 being best and 5 being worst.

Mr. Friederichs was thanked for his time and he exited the meeting at 10:01 a.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of August 10, 2007 were \$1,410,173.73 with restricted funds of \$1,487,760.37. There were fifteen outages in the month of July for a year-to-date total of sixty-two compared to ninety-four 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 Manager Weller in the absence of Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The need for an air conditioning unit for the Franson Peak Radio building was discussed. The Board was in concurrence that an additional unit should be purchased if the equipment generates too much heat. The Utility will continue to monitor. The possibility of reusing poles that have been removed and cannot be used by the Utility was discussed. Manager Weller explained the new requirement of providing one quart of water per employee per hour when the temperature exceeds 90-degrees. Coolers have been purchased for use in the vehicles, a small deep freeze has been installed at the shop, a pallet of water purchased, and ice is being provided for the freezer Commissioner Kroupa requested D. Hittle reports that reflect the Utility's trends for a given period of time. The information is to be provided to Ms. Buckley. The Board approved Warrants Numbers 1661 through 1797 and wire transfer numbers 12 through 14 in the amount of \$424,860.26 by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.
2. The Financial and Statistical Report was presented.
3. The D. H. Hittle & Assoc. report was presented and discussed.

A brief recess was called at 10:30 a.m. with the meeting returning to regular session at 10:37 a.m.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. Have received an announcement from Coleman Oil advising that they have sold their Chevron convenience stores. There is a new owner at the local store.
2. A letter has been received from Wings Over Republic requesting financial support for the 8th annual fly-in. The Board concurred that \$100 would be supplied for advertising.
3. A letter has been received from the City of Republic. The City is requesting donations for playground equipment for Paterson Park. A motion was made by Commissioner Kroupa to provide \$100. The motion was seconded by Commissioner Davis and unanimously approved.

Meetings:

1. An announcement has been received advising that Energy Northwest will be celebrating 50-years of operation in 2007. A celebration has been planned for September 14 and Commissioner Kroupa will attend.
2. Congresswoman Cathy McMorris-Rogers will be in Republic on August 28 to make financial presentations for three Ferry County projects. Commissioners Davis and Kroupa will attend.
3. Notification has been received from Energy Northwest advising of their October 25 and 26 member forum to discuss conservation, post Initiative 937. Commissioner Kroupa will attend the regular board meeting on October 24 as well as the member forum on the following days.
4. The NWPPA Northwest Wage & Hour negotiations meeting will be held October 10 through 12 in Coeur d'Alene. Manager Weller will attend.
5. A call has been received from the Utility's B.P.A. Transmission Account Executive, Toni Timberman to schedule a September meeting at the District to discuss the loss factor update. Mr. Brian Markham will also be attending the meeting with Manager Weller and General Foreman Sage.
6. Mr. Ken Hustad, the Utility's Power Account Executive, has provided a projected High Water Mark for Ferry County P.U.D. He stated that he would be able to meet with the Board if they so wished. Commissioner Kroupa questioned the allocation of B.P.A.'s megawatts, the possibility of over-allocation and the resulting automatic Tier 2 power purchases. Mr. Hustad will be invited to visit with the Board.
7. A claim for damages has been received from a consumer for repairs to an irrigation pump. The matter will be discussed later in the meeting.
8. A conference call was held pertaining to the legislation regarding pole contacts. Legislation will be presented which will detail how utilities are to bill for pole contacts.
9. Participated in a Webinar pertaining to Climate Change. Was very informative and also a very inexpensive way to attend a meeting.
10. A presentation of a Canon system similar to TWACS was made recently. This system appears to be better for smaller utilities. Canon's interface is hosted by PCS in Iowa.

General Business:

1. A request has been received from the Department of Transportation to include their radio equipment in the Franson Peak facility. Letters requesting agreement from Homeland Security and the Ferry County Board of Commissioners have been sent. A verbal authorization has been received from Ferry County and Homeland Security consented in writing.
2. The new PCS computer system conversion continues. Mr. Beckner has been unable to provide information to PCS in a timely fashion. Telephone training continues. All meters will be read in August to provide factual billings for conversion. The final System 36 bills will be run on August 24 and that system turned over to Mr. Beckner on the 27th for his final conversion. The PCS system will be live on September 4. A letter will be sent to every consumer showing what the new billing will be. Commissioner Kroupa questioned the cost of the new billing and Manager Weller explained that the new bills have been outsourced. Commissioner Davis questioned the outsourcing. Manager Weller explained that the new bills will be printed on letter sized paper which would require new equipment be purchased by the Utility for the folding and stuffing. Commissioner Kroupa advised that the current computer system is outdated and the decision was made to purchase a new system. PCS was selected for a number of reasons, one being cost, another the fact that existing computers could be used with the new system, and PCS continually updates their system at no additional expense to the Utility. The three Commissioners made the decision to move to a new computer system and they have received considerable input on this decision. Manager Weller went on to explain that bids were obtained from two sources for the printing and mailing of the bills. One of the sources was local and the other was recommended by PCS. The local business does not currently have all the equipment necessary to process the billings and the other company is currently processing billings for other utilities that PCS serves. The decision was made to use the company with a proven track record. Commissioner Davis stated that he has been contacted by the local business owner who explained that he currently processes 12-15,000 piece mailings twice per month for other customers and that he questioned the Utility's decision. Manager Weller explained that this process is new for the Utility and she felt more comfortable using a company who is familiar with the new computer system and the mailing of utility billings. Commissioner Davis stated that he had requested the billing bid information and that it had not been provided to him. Attorney Graham was consulted regarding the availability of the bidding information. Attorney Graham advised that by law, the information did not have to be given out and that a public records request could be filed after the process is completed. Until the District has decided who will be performing the work, the bids can be kept private. He added that there did not appear to be any sort of bias in the selection of a company to perform the work. Manager Weller added that there has been no contract signed. Attorney Graham added that he would have to research the bidding procedures and the law further to be able to state that this process was carried out correctly. Attorney Graham was asked to research for the September Board meeting. Commissioner Kroupa questioned whether the utility was saving substantially with this decision. Manager Weller advised that Utility employees will not be processing the billings or the mailings and there was no purchase of additional equipment. Manager Weller reported that she has also been contacted by the Republic Postmaster who expressed displeasure over the outsourcing of the billings. The Utility is trying to save money for the consumers.
3. Commissioner Caudell will be joining the meeting via telephone at 1:00 p.m.
4. A new proposal has been received for the Revolving Loan Committee. Commissioners have been advised via email. Commissioner Davis stated that he has been unable to use the email system for some time and also questioned why the Utility's Website was down. Manager Weller explained that the installation of a new firewall created a problem for in-house access of the Website. Commissioner Kroupa questioned whether there would be any legal issues if he were to use his personal computer for P.U.D. business. Attorney Graham advised that there would be no issues if nothing is stored on the machine. The main issue is the use of public equipment for personal use.

Ms. Buckley exited the meeting at 11:48 a.m.

The meeting recessed at 11:55 a.m. for lunch reconvening at 1:04 p.m. with visitors Betty Buckley and Mike Fagley and General Foreman Randy Sage and Engineer Curt Brenner present.

Commissioner Caudell joined the meeting at 1:04 p.m. via telephone.

Mr. Fagley explained that he and Mr. Brenner met with Kinross and the amount of ditching for the underground line has been reduced to 500' for this year. He explained that he was hoping to have the \$30,000 bond requirement reduced to be proportional with the amount of ditching work and that when the project begins in full force in either July or August of 2008 the bond amount would be increased. His total bid was \$297,000 and 500' of ditch would approximate \$3,500 to \$4,000. The Kinross permits are now held up due to appeals to the project. The power line may have to be relocated if the road access is relocated. Commissioner

Caudell advised that the Utility may be interested in rebidding the work as costs can change. Mr. Fagley advised that the Utility is providing all of the materials and his equipment and labor costs would not increase significantly to require a new bid unless the route were changed. Commissioner Caudell stated that, unless a decision was needed immediately, he would like to have the Utility complete due diligence and learn what its liabilities were. Attorney Graham stated that he was prepared to address the matter. The issue was not caused by Mr. Fagley and reinstating the bond when the work began in full would be acceptable. The bond is needed when the work is in progress not outside of that time. Legally, under the law, a 100% performance bond is required. However, the Board voted to reduce this amount to a minimum of 25%. He advised that the District could put the performance bond on hold with the agreement of Kinross. A motion was made by Commissioner Davis to reduce the performance bond to 25% of the estimated costs of the work to be done in 2007 or \$1,250 in cash, pending written approval of Kinross. The motion was seconded by Commissioner Kroupa and unanimously carried. Commissioner Caudell asked that Manager Weller review the contract and discuss with Kinross the possibility of the work being performed at cost plus time and materials. If this will be a long-term construction job may be able to look at the work differently. We need to be able to hire the local people who have the equipment to do the work. General Foreman Sage interjected that ditching should begin in June of 2008 and distributed a current schedule to those present.

Mr. Fagley thanked the Board for their time and he and Mr. Brenner exited the meeting at 1:30 p.m.

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

1. Copies of the claim for damages regarding the irrigation pump were provided to those Board members present. Mr. Sage explained that Wilson Construction pulled apart a splice which caused an outage. The outage and the pump owners attempt to restart the 3-phase, 25-HP pump, which single-phased, and resulted in the damage which cost \$1,032.80 to repair. Mr. Sage cited the Policy Handbook referring to Section 19 which states that customers are to have adequate protection to prevent such from happening. Attorney Graham referred to the Article 3, Section 1g.i of the Contract with Wilson Construction. This section states that it is the Contractor's responsibility to indemnify the Utility in such claims. He recommended that the claim be forwarded to the Contractor. Mr. Sage added that very few of the Utility's pump customers, approximately 30% have adequate protection. The Board was in concurrence that the claim be forwarded to Wilson Construction.
2. The Kinross work schedule was reviewed. The group who has appealed the project has no issues with the power line just with the haul route. The Good Neighbor Agreement draft will be voted on at the next Community Action meeting. This will provide an avenue for complaints to Kinross and how they will be handled. The Board will be provided a copy when approved.
3. Work continues in the Bonaparte Meadows area as the area has been divided into 20-acre parcels and all have been sold.
4. The line around Curlew Lake is on normal operation because of the number of outages last year. The Danville line has now been put on normal operation as outages kept occurring with no cause found. The Industrial Fire Precaution Level for private land and DAR ground is a 2 with the Colville National Forest at a level 3. The Okanogan National Forest and DAR did not go to a level 3 and the recent rain should make some changes.
5. The 3-phase underground service for the new Curlew Medical Clinic, proposed service station and restaurant site is completed. The poles have been removed. Nothing has been done for the new Border Patrol building.

Mr. Sage was thanked for his time and he exited the meeting at 1:58 p.m.

Manager Weller continued with her report:

General Business:

5. The plans for the upcoming WPUDA meeting to be held in Republic are going forward. All of the motels are filled and rooms are no longer available. Madilane Perry has agreed to speak at the Konz dinner. The BIA may pay for her trip as she has a budget for public information. Bernie Odegard will sing. Esther's Restaurant has been reserved for Wednesday evening. The WPUDA will bring the banquet permits for both events.
6. Labor negotiations are beginning and tentatively will be completed in February. Manager Weller stated that she will then submit a letter of retirement and she will be leaving the Utility. The first local negotiations will be held at the end of September. Understands that the Commissioners will be included in a CWPU meeting in either September or October. The final negotiation meeting should be held in January with the February meeting set tentatively but isn't normally needed.
7. The NWPPA Annual Meeting will be held in Seattle December 5 through 7.

Commissioner Caudell stated that he must leave the meeting and asked that the October Board meeting be rescheduled from the 15th to the 22nd. The Board concurred. Commissioner Caudell ended his telephone call at 2:07 p.m.

A recess was called at 2:10 p.m. with the meeting reconvening at 2:20 p.m.

Manager Weller continued her report:

8. Information pertaining to the residential exchange was presented.
9. The email sent to the Commissioners regarding a telephone call with Mr. Gus Nichols of the Republic TV Association regarding Verizon was discussed. The TV Association is not interested at the present time as it would be too costly for them to move. Commissioner Davis reported that he had spoken with Mr. Nichols who explained that the TV Association has been able to obtain some funding from the County and City and also negotiate a lower price.
10. Resolution 07-11 was discussed. Commissioner Kroupa stated that this resolution was discussed at both the NRU and PPC meetings and he pointed out that the issues with the salmon runs should not be blamed entirely on the dams. The environmentalists are putting pressure on the dam systems for full blame for the fish problems and there are other factors, i.e., predators and other human activities besides the dams that may be affecting the salmon runs. Resolution 07-11 "Support of the Northwest's Dams and Hydrosystem" was adopted by a motion made by commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.
11. A necessary change, as a result of the new computer system, is how the Utility will deal with meters that are not read monthly. Sections 4 and 29 of the Policy Handbook were cited with proposed changes presented. With the implementation of the new computer system, if a customer does not provide a meter reading by the 15th of the second month, they will be assessed a \$40 meter reading fee. A list of these customers will be generated on the 15th of the month and those customers will be called to obtain their meter readings and to avoid the additional fee. Commissioner Kroupa questioned the policy of not disconnecting service during the winter months. Manager Weller explained that there are specific requirements that the customers must meet to comply with the winter moratorium. The winter moratorium will not affect the new meter reading fee. The proposed changes were discussed. Commissioner Kroupa stated that he was not 100% comfortable with the changes but did not see any more problems than are currently being worked through. Attorney Graham interjected that there were no legal issues and that this is legally enforceable. Commissioner Kroupa added that he felt the majority of the customers would not be affected and, if a customer had a legitimate excuse for not providing a reading the Utility had the flexibility to adjust the additional fee. Commissioner Davis questioned how the customers would be made aware of the change. Manager Weller stated that the change will be included with the new billing. All new customers receive a Policy Handbook. A letter will be sent to every customer and this change will be part of that letter. Commissioner Kroupa made a motion to change the wording of Section 29 as presented by Manager Weller, changing the required date for meter readings from the 21st to 15th and a new statement "A \$40 estimated reading fee shall be charged if the customer fails to provide a current meter reading by the 15th of the month" and the

- presented change to Section 4.4 The motion was seconded by Commissioner Davis and unanimously carried.
12. Vacation requests were submitted by Manager Weller for Board approval.

A brief recess was declared at 3:24 p.m. with the meeting reconvening at 3:35 p.m.

The Attorney's Report was presented by Attorney Graham:

1. An update of the Okanogan County consumer annexation was presented. Wrote to Mr. Rounds and Okanogan County and heard nothing from either. Spoke with Mrs. Rounds on the telephone who advised that Mr. Rounds has been very busy. Contacted Okanogan County via telephone as well. The Utility has provided the agreed upon assistance.
2. The Steinbock matter continues. Two months ago the Board appointed an Agent to receive claims as a recorded Resolution identifying the Utility's agent could not be located by the Auditor. Recommended that the case be dismissed because Mrs. Steinbock did not file a claim according to requirements. Mrs. Steinbock read in the Utility's minutes that an Agent had just been named. She then visited the County Auditor's office where they were able to locate the original resolution which had been recorded. Took the deposition of Mrs. Steinbock which is currently being prepared and will be provided to the Manager. The case is set for trial in November.

Commissioners:

Commissioner Davis:

1. Attended a meeting with Senator Murray and had the opportunity to discuss the mine situation with her. Also told her that support of the wood waste-to-Methanol project was needed. Advised those present that, if the Kinross project did not become a reality, the Utility would be looking at a rate increase. Other local business representatives were present and shared their concerns with the Senator as well.
2. Mentioned at the last meeting that he was developing a grievance policy and has put together a rough draft. The draft policy is meant to create something that would help solve some of the issues before they get too big. Would like to discuss at the September meeting. Some of the information has been obtained on-line from other utilities.

Mr. Friederichs joined the meeting at 4:00 p.m.

Commissioner Kroupa:

1. Attended the Energy Northwest monthly meeting. Topics included the presentation by Mitsubishi of plans and statistics for new nuclear systems, a re-stabilization at Packwood Lake is necessary at the cost of 1.2 billion, and the Twin Butte project at Reardan is at the very edge of the 20-mile radius of Spokane International airport. The may change policies as they relate to projects in that a more firm commitment will be required before work is done.
2. Attended the NRU and PPC meetings and the main topics were the residential exchange and the regional dialog ROD. Also attended a public B.P.A. meeting as well as a WPUDA meeting. The high water marks will be established in 2010 and the apparent position is that any need above 7,500 megawatts will be disbursed among the utilities which will give everyone Tier 2 power from the onset. The Regional Dialogue schedule may be moved forward and resolved prior to December 2008 and the change in administration. There appear to be two separate camps, those that believe the IOU's should be able to purchase wholesale power the same a public utilities and those that feel the IOU's are not entitled to the same benefit and that it is illegal.
3. Attended a WPUDA workshop. Based on President Caudell's request, the commissioners are to become more involved in committees. This was the project of the afternoon as the ratio of commissioners and staff members for the committees was decided.

Ms. Buckley and Mr. Friederichs exited the meeting at 4:35 p.m.

4. The announcement of Manager Weller's retirement was discussed. The need to begin the advertisement process and selection of a new Manager was discussed. Has spoken to other Commissioners who have gone through such a process and gathered information from other utilities regarding their organization charts. Many of the utilities are much larger than ours which allows for a different organizational structure. Our departmental structure, especially in the office, goes directly to the Manager with no one in between to help solve the problems. This puts more heat on the Manager to make snap decisions and if that decision isn't satisfactory the employee has no where to go. Commissioner Davis' proposed changes along with the survey results will be helpful in the upcoming process. The Board was asked to think about the issues and use the information when new people are interviewed. Would not be opposed to asking the employees what they would like to have in a Manager. The first step will be advertisements in publications such as APPA and NWPPA. Manager Weller was asked to obtain pricing from both of these publications for placing an advertisement. Commissioner Davis would like to see employee involvement. Commissioner Kroupa would like to see an openness that allows for employee involvement and feedback. There are many employees at the District who have 20+ years of experience and that experience needs to be used in the selection process. The possibility of a public meeting which would allow the employees to meet the final candidates was proposed by Manager Weller.

Commissioner Davis questioned the status of the survey. He stated that there have been a number of employee requests for a copy of the document and he understands that copies have been provided to some employees. Attorney Graham advised that the employees could come in on the breaks and request as a public record. Commissioner Davis continued by stating that the employees need to know that the Board is taking strides to improve issues and to show openness. Commissioner Kroupa questioned how many employees have not seen a copy of the survey with Commissioner Davis responding that he has given no copies of the survey to anyone. Commissioner Davis proposed sending a letter from the Board to the employees outlining what has been done and what is being done and stating that, if a copy of the survey is desired, Commissioner Davis may be contacted. Commissioner Kroupa was in agreement.

Lobbying: None

With no further business to come before the Board, the meeting adjourned at 5:09 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager