

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
August 20, 2012

The regular meeting of the Board of Commissioners was called to order by President Doug Aubertin at 9:01 a.m. Present were Commissioners Aubertin, Chris Kroupa and Nathan Davis, Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke and Secretary/Treasurer Jayne Jurgensen. Attorney Graham joined the meeting at 9:05 a.m.

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

Visitors: None

The minutes of the previous meeting were approved by a motion which was made by Commissioner Aubertin seconded by Commissioner Davis and unanimously carried.

Commissioner Davis reported that Mr. Jim Oakley who visited the July Board Meeting, is no longer working with Energy Northwest due to restructuring of positions.

Reports:

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

1. Continuing to repair damage and handle outages.
2. Another outage occurred in the Keller area on August 16 due to damage to Bonneville's lines from a wild fire. Customers were without power for almost two days.
3. Priority hazard trees are being identified for removal.
4. Work is in progress on a hazard report for the southern portion of the County.
5. An environmental report has been completed on leaking transformers that were collected throughout the service area.
6. The crew will begin pole replacement West of Republic for the NoaNet project.

Commissioner Kroupa questioned the status of the Whitetail Flats High Cost Energy Project that was presented to the Board at the July meeting. Mr. VanSlyke reported that he would like to see the High Cost monies moved into the General Fund with the program discontinued. Manager Friederichs added that, based on the July 20th storm, the District could better utilize the funds covering storm related expenses. The Board discussed at length the possibility of FEMA funding for storm recovery, tying the lines together between Republic and Keller, and the possible use of generators to provide power to all customers in the event there were another service area-wide outage.

Mr. VanSlyke exited the meeting at 9:21 a.m.

The Board went into Executive Session to discuss potential litigation as per RCW 42.30.110 Subsection 1, paragraph I, at 9:22 a.m. for twenty minutes. The Board returned to regular session at 9:45 to return to Executive Session for an additional fifteen minutes. The Board returned to regular session at 10:00 a.m., returning to Executive Session for an additional fifteen minutes. The Board returned to regular session at 10:23 a.m. to return to Executive Session for an additional ten minutes. The Board returned to regular session at 10:32 a.m. to return to Executive Session for an additional ten minutes. The Board returned to regular session at 10:39 a.m.

A recess was called at 10:42 a.m. with the meeting reconvening at 10:48 a.m.

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

1. Has been in contact with an attorney in Bellevue regarding a High Cost customer who has forfeited their property due to it being placed in a receivership. The attorney has agreed to begin making payments on the loan from the point he was appointed as receiver.
2. Wrote a letter to another High Cost customer reminding the individual of their responsibility to the Utility with regard to repaying their loan.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A number of thank-you notes, telephone calls and personal conversations have been received from appreciative customers after the windstorm caused outage.

General Business:

1. A gentleman with the Emergency Management Division of the Military Development group is meeting with the Ferry County Commissioners this day and may be able to visit with the P.U.D. Commissioners during their meeting. The County has been advised that the 9.1 million dollar damage threshold to qualify for FEMA funding has been met and exceeded. The Utility has submitted a FEMA application for damage reimbursement. A decision is to be made

during the month of September with the latest date to be the 28th. One billing has been received from a utility who helped during the outage. They have been contacted and were asked for a 90-day extension to pay the billing. The utility was agreeable to the time extension. Information is being gathered from various banking institutions and the Washington State LOCAL program regarding loans and lines of credit available to help cover the expenses. The general consensus of the crews who came to help was that they had never seen such widespread damage as our Utility incurred. They found the weather excellent for the work and also found our customers to be very pleasant and appreciative. Based on cost estimates developed by Auditor Nush and Manager Friederichs, the Utility's costs will be slightly over 3-million dollars. A Level Three Incident Management Team was called into the area and used the Utility's basement meeting room for a short period of time. Functionally for the Utility, all regular maintenance work has ended with all work now being storm damage repairs. There are a few regular line extensions to be completed and there will be no high cost line extensions. The crew is systematically surveying the system to make certain that all repairs were completed correctly. Power Engineers were contacted regarding the Utility's need to have an outside consulting engineering firm survey the system and make a recommendation on returning the system to standards. Their estimate for the study was \$60,000 and they estimated \$800,000 to bring the system back up to standards. The FEMA standards for repairs were developed with NRECA and NRECA is associated with RUS. There is a concern that more trees will come down during the falls rains and wind and Seattle Tree Service is working on the removal of danger trees rather than regular contract work. The Board questioned the Utility's need and time line for additional funding. The Board was asked for authorization to obtain financing for a range of 2-million to 3.5-million dollars. Information on lines of credit and loans was discussed. The possibility of a rate increase or a flat surcharge on each billing was discussed with no decision made.

2. The Bonneville billing was discussed. Participated in a prepayment meeting via telephone.
3. The Board was asked to set aside the High Cost Energy Program with a motion so made by Commissioner Davis. The motion was seconded by Commissioner Aubertin with a discussion following. Manager Friederichs reported that the Utility has met the RUS requirements of the program and RUS considers the program complete. Commissioner Kroupa questioned whether it would be possible to keep the program in place as it has proven a help to quite a number of customers who have been unable to afford the cost of a line extension. Manager Friederichs explained the need for the funds in the account to help cover storm related expenses and that monthly payments going into the fund are approximately \$2,500 and the fund will not increase significantly or at a rate sufficient to cover future line extensions which are becoming more expensive. At the conclusion of the discussion President Aubertin brought the motion before the Board for vote clarifying that the High Energy Cost money would be moved from that program to the general fund. the motion was unanimously carried.

Meetings:

1. The September WPUDA meeting will be held in Ellensburg. Manager Friederichs will attend the Manager's portion of the meeting via telephone while Commissioner Davis will attend in person..

Commissioner Davis explained that he is developing a presentation for use at various meetings, such as the upcoming WPUDA Commissioner's meeting, showing the windstorm damage throughout the District. Commissioner Kroupa reported that he took a number of pictures on his trip to the Energy Northwest meeting a showed them during the meeting. He also reported that he had asked those commissioners at the meeting for any political assistance they may be able to offer.

The meeting recessed at 12:03 for lunch, reconvening at 1:23 p.m.

The Conservation Report was not presented due to lack of activity.

Commissioners:

Commissioner Kroupa:

1. Attended the Energy Northwest meeting as the alternative representative. A brief overview of the meeting was presented.
2. Attended the NRU meeting in Portland, OR. The primary topic of discussion was B.P.A.'s prepay proposal. It was announced that B.P.A.'s CEO, Steve Wright, will be leaving January 1, 2013. A replacement will be appointed by the President of the United States. Information was also presented on the high water mark, B.P.A.'s move into an energy imbalance market and their proposal to balance their system.

Commissioner Davis:

1. Expressed his concern regarding B.P.A.'s rate increases that the Utility will be faced with, the unavoidable closure of the Kinross sites and the Utility's need to borrow money to cover the unexpected expenses of the storm.
2. Questioned whether he could receive compensation for the use of his personal vehicle used during the power outage. Auditor Nush will provide the proper forms to allow for reimbursement.
3. Found the outage very interesting and educational. Commissioner Davis provided a detailed

- report of his activities and observations during the week-long outage.
4. Asked that written thank-you letter be sent to all utilities who provided assistance. He further added that he would like to have letters sent to Curt Brenner, Mick Parr and any other members of the community who helped.

Attorney Graham questioned whether the Board had passed a resolution declaring an emergency which would allow for exemption from the public bidding laws. He further questioned whether all of the materials purchased came from the Small Works Roster. Manager Friederichs explained that the crews who assisted were on Mutual Aid Agreements with the various other utilities. Asplundh Tree Service was brought into the area for assistance and were not on the current Small Works Roster.

Commissioner Aubertin:

1. Thanked his fellow Commissioners for filling in for him at the various activities.

Manager Friederichs reported that Serviceman, Cory Tuttle, is home from the hospital and mending.

The meeting recessed at 3:18 p.m. reconvening at 3:25 p.m.

Commissioner Davis reported that he attended a meeting on August 3 with the Kinross General Manager and Public Relations Specialist regarding their anticipated closure. At this time, the Buckhorn mine will cease operations during the second quarter of 2015. The company's reserves will not support mining activity past 2015 and, in the event an additional ore body is located outside of the currently permitted area, an extensive and lengthy permitting process would be required.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Questioned the Board as to their wishes regarding the monthly payments coming into the High Cost Energy program. A discussion followed. Commissioner Aubertin made a motion to rescind the first motion, the motion was seconded by Commissioner Kroupa and unanimously carried. A motion was then made to transfer all existing money in the High Cost Energy account and all associated monthly payments into the Utility's general Fund. The motion was seconded by Commissioner Kroupa and unanimously carried. The Board was in agreement that they would no longer have the need to view any payment reporting on the High Cost contracts,
2. Operating Funds available as of August 10, 2012 were \$1,442,418.16 with restricted funds of \$1,439,549.18. There were fifty-six outages in the month of July for a year-to-date total of one hundred twenty-one compared to sixty-nine for the same period in 2011. 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. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 8840 through 8986, direct payroll deposits numbers 901676 through 901705, Electronic Fund Transfer numbers 21, 22 and 23 in the total amount of \$779,341.99 were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board with questions answered.
3. Debbie Heckly has begun work as the new janitorial contractor.

Manager Friederichs reported that the Utility has employed Adam Freshman temporarily to replace Justin Koepke on the crew while Justin fills in for Cory Tuttle as Serviceman.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 4:19 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager