

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
August 21, 2006

The regular meeting of the Board of Commissioners was called to order by President Kathy Ciais at 9:00 a.m. Present were Commissioners Ciais, Gregg Caudell and Chris Kroupa, Manager Roberta Weller, Attorney Steve Graham who joined the meeting at 9:10 a.m., Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen.

Visitors: Rich Trimble with Energy Northwest, Tom Hern, Cliff Couse, and Nathan Davis P.U.D. Commissioner candidates, Tim Palmer and David Palmer consumers, Jon Devaney, USDA, Melanie Drecksel, USDA, Deana Zakar TEDD, and Jerri Anderson Republic Chamber of Commerce.

All stood for the Flag Salute.

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

The meeting was turned to Mr. Trimble who provided an update on the activities of Energy Northwest. The Columbia Generating Station is now at 415 days of operation which is the longest run. This is attributed to a two year fuel plan and refueling cycle which resulted in more efficient operations. They are also participating in a pilot project with the Department of Energy working to extract uranium from tailings generated by Russian facilities. Planning and development continues on the Pacific Mountain Energy center which is a clean coal or petroleum gasification facility and will generate 600 megawatts of power. There is the possibility that Energy Northwest will be reducing its interest in NOANET (Northwest Open Access Network) as the model of NOANET has changed.

Tim and David Palmer joined the meeting at 9:17 a.m.

Energy Northwest has no member dues or revenues and is looking at ways to reduce expenses. Work continues on the 9-Canyon Wind project as well as another project which may be located near Reardan, WA. A bio-mass project has begun near Enumclaw which will utilize dairy waste. The annual Member Forum will be held on September 28 and 29 with a reception held on the evening of the 28th. A solar energy initiative workgroup has been begun. The group is working with an inverter manufacturer to explore and develop a more cost-efficient utility-friendly solar installation. Mr. Trimble was thanked for his report.

The meeting was then turned to Mr. Tim Palmer who explained that he purchased property in the Keller area in 2000 and has been trying since that time to have his concerns with regard to the Utility's rights-of-way across his property resolved. He provided maps showing the location of the existing lines for the Boards' review. Mr. Palmer further explained that he does not feel that the power lines are located in the correct locations as they should be and would like to have a proper easement, including exact location, width, etc. put into place. Attorney Graham advised that Mr. Palmer did purchase the property with the lines in place as they are now. Mr. Palmer stated that his primary concern is that the various easements take up his property and he is unable to use it as he would like or even to sell it. Manager Weller explained that the Utility does have a copy of a 1938 Tribal Resolution which granted the Utility permission to install a power line over the questioned property. Mr. Palmer provided a handwritten document to Commissioner Caudell which was information from a July 2006 Reservation report which applies to 1947 blanket easements. Attorney Graham advised that this particular information pertained to Tribal lands only and Mr. Palmer's would be considered fee land and that he did not feel that the challenge was applicable in this case. Mr. Palmer questioned why an easement was needed and whether the Utility would have the property resurveyed and another easement put in place legally. Mr. Palmer further stressed that he has been trying to resolve this matter for the past five years and feels that the Utility has not been willing to work with him to the point of treating him badly. Mr. Palmer was advised that the Utility would not be removing or relocating the 3-phase power line and, if the lateral feeder is in the wrong location Mr. Palmer can have the property surveyed and the Utility may be able to deal with the matter. Manager Weller pointed out that the Tribal Resolution does state that the transmission and distribution line easement are both twenty feet wide and again added that this Resolution does give the Utility an easement to go across the property in any location necessary. Mr. Palmer requested a copy of the minutes of the meeting be provided to him. Mr. Palmer was thanked for his time and he and Mr. David Palmer exited the meeting at 10:28 a.m. Attorney Graham stated that, in an earlier conversation with Mr. Palmer, he had provided him with the names of several attorneys in the Colville area that may be of help to him. During that conversation Mr. Palmer had stated that he would like to have the lines moved or be provided compensation for the location of the lines. Mr. Palmer was also advised that the lines were in place when he purchased the property. Manager Weller stated that the Utility has never compensated a consumer in such a situation.

Reports:

The Conservation Report was presented by John Friederichs who entered the Meeting at 10:32 a.m.

1. A program will be drafted prior to the end of September for the Post 2006 B.P.A. Energy Conservation Program.
2. The quarterly report has been compiled for the High Energy Cost Grant Program. A total expenditure for this program has been \$1,039,459.29 with the RUS portion being \$779,462.99. A request for additional RUS funding in the amount of \$95,811.66 has been submitted. This will leave a small balance yet to request of approximately \$13,000.00. Commissioner Caudell requested a proposal be developed detailing how the program could be continued by the Utility once all of the Federal funding has been expended. The program should reflect the ability to charge interest on the new project loans.
3. The photovoltaic equipment for the Hospital program has been delivered. The installation is being coordinated with the architects.
4. The funding for the wood waste to methanol project has yet to be finalized. There is the possibility that a "Fuels to Schools" project may be funded in Ferry County at either the Curlew or Republic schools.
5. The minutes of the August 15, 2006 Telecommunications Committee Meeting were presented and briefly reviewed.
6. The solar car is now in the painting stage. It was not completed for the competition earlier in the summer. It will be on display throughout the Fair. The solar modules will be installed on the Republic School during the off-season.

John was congratulated for his TRICO Award. Pictures and information will be included on the website.

Mr. Friederichs was thanked for his report and he exited the meeting at 10:50 a.m. with a brief recess at this time. The meeting reconvened at 10:55 a.m. with General Foreman Sage joining the meeting at this time.

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

1. The annual truck inspection has been completed. The vehicles were dielectrically and DOT inspected with no failure identified. There were several age related weaknesses found.
2. The crew has been working on underground projects in Okanogan County.
3. The system has been put on non-reclose due to the fire danger rating.
4. The Basin Tree Service work has been suspended due to the fire danger. They quit work several weeks earlier. They will return to complete this year's work after conditions change to allow them to operate saws and other equipment.
5. The Sutton Meadows High Cost project has been completed with all but two of the new customers connected to power. The remaining two individuals are completing their portion of the work.
6. If for some reason Basin Tree Service will not be able to complete the work Randy and Bill Knutz will complete the work through the winter. There are approximately twenty areas to be worked with the Wauconda area very pressing. The Okanogan National Forest marks the dead or leaning timber on Forest Service lands. Unfortunately larch and other questionable trees were also marked. Working with the Tonasket District to resolve the situation.
7. The pole testing work has been temporarily suspended but has been completed as far south as North Nanamkin Creek, the Town has been completed and work has progressed to the west approximately 6.5 miles.
8. Chemical treatment of deciduous trees is now being accomplished on the Colville Reservation. The Tribe prefers one type of treatment while the Utility prefers another and there are very strict regulations and requirements for this work.
9. The Franson Peak radio system is now operational. Everyone is learning how to use the new system and there is much better District coverage.
10. Due to situations encountered last summer when the entire system was put on non-reclosure, it was found that the reclosures in the substations worked faster than the mechanicals in the field which caused problems. This summer, the Keller Sub, Windsor Sub, Strassburg Sub and Curlew Sub have not been put on non-reclosure. This means that the first line out of each substation is not on non-reclosure.
11. Between 1,300 and 1,500 poles are tested each year. The entire system has been tested at least once. The Utility is now testing all poles and only those that have never been tested have been included.

Commissioner Caudell requested that copies of the monthly safety meetings be provided to the Board each month.

The current licensed herbicide applicators were discussed. The Board was in concurrence that both individuals applying the chemicals should be fully trained and licensed applicators rather than just one individual. Attorney Graham will research training and supervisory requirements for applicators and individuals working with them.

Manager Weller reported that a billing has been received from the Ferry County Public Works Department in

the amount of \$1,771.28 for the on-site inspector during the Caudell line extension installation. The Board briefly reviewed the most recent Safety Meeting report.

General Foreman Sage was thanked for his time and he exited the meeting at 11:37 a.m.

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

1. A law suit was filed against the Utility recently. *Corrected at 9/21/06 Bd Mtg "Plaintiff papers have been received on a lawsuit served by the Steinbocks.*

The Board went into Executive Session at 11:40 a.m. to discuss pending litigation. The Board returned to regular session at 12:05 p.m.

The meeting recessed at 12:05 p.m. for lunch and returned to regular session at 1:20 p.m. with Attorney Graham not returning to the meeting.

Commissioners Reports:

Commissioner Ciaia:

1. Had the opportunity to visit at length with a consumer regarding current matters.
2. TEDD has scheduled a Regional Transportation Meeting for August 23.

Commissioner Caudell:

1. Will be attending a WPUDA meeting in Portland with Steve Wright and Marilyn Showalter to discuss the regional dialogue.
2. Attended the July WPUDA meeting which was held in Omak.
3. The construction of the new WPUDA office building in Olympia has begun.

Commissioner Kroupa:

1. Attended the last day of the WPUDA meeting in Omak.
2. Attended the July Energy Northwest Meeting
3. Attended the NRU meeting in Portland.
4. Attended the PPC meeting for the first time.
5. Has been looking into TWACS all summer and had the opportunity to visit some utilities that are using the system. Still has questions regarding the communication with sub-stations. The utilities have found that their largest cost offset has been the reduction of meter readers and their vehicles. Is very impressed with what can be done with the system.

Joining the meeting at 2:05 p.m. were Jon Devaney and Melanie Drecksel with the USDA, Deana Zakar with TEDD, Jerri Anderson with the Republic Area Chamber of Commerce, and John Friederichs. Mr. Devaney explained that he and Ms. Drecksel were visiting the County on a listening tour to learn what projects area entities were working on and where the USDA may be of help. Information was provided on the high cost energy program, the PV installation on the assisted living facility and the biomass to methanol demonstration project. Mr. Friederichs was asked to compile information pertinent to the PV program. Mr. Devaney explained that an energy efficiency program is in place which allows customers to upgrade their equipment such as refrigerators, freezers, etc. with the program paying 25% of the replacement cost. The Utility's share in the program could be the energy audits. Mr. Lee Debis is the contact person for this program. Area Director Melanie Drecksel provided information on an annual workshop she would be willing to present in Republic if enough interest could be generated. She helps people learn about and apply for the high energy cost funds. The Board was thanked for its time and the visitors exited the meeting at 2:32 p.m.

A brief recess was declared at 2:32 p.m. with the meeting reconvening at 2:43 p.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of August 10, 2006 were \$1,701,931.64 with restricted funds of \$1,499,493.17. There were twenty-six outages in the month of July for a year-to-date total of ninety-four compared to forty-five for the same period in 2005. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed. A summary of payments received through the credit card process and the expense associated with the program was presented.
2. Possible photographs for the 2007 Utility Calendar were presented and discussed. The decision was made to use a photograph of the rail putter cars that were used to travel the closed railroad tracks during the summer. Commissioner Caudell made a motion to purchase 1,500 calendars, to be given to consumers, at the price of \$1.335 per calendar. The motion was seconded by Commissioner Kroupa and unanimously carried.

General Foreman Sage joined the meeting at 3:00 p.m. Manager Weller presented length of service awards to Mr. Sage for 30 years of work, Jennine Groth for 10 years of work and Steve VanSlyke for 5 years of work.

The employees were congratulated for their service and General Foreman Sage and Staking Engineer VanSlyke exited the meeting at 3:03 p.m.

Manager Weller provided an update on the safety program bid process explaining that no changes have been made as yet.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved G&O Warrants Number 23629 through 23768 in the amount of \$289,142.05 and Payroll Warrants Numbers 009031 through 009049 in the amount of \$41,790.51 and Numbers 009050 through 009072 in the amount of \$50,127.27 by motion made by Commissioner Caudell, seconded by Commissioner Kroupa and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. The D. Hittle report was presented. Mr. Hittle has been contacted regarding the possibility of a rate increase effective October 1. The Board discussed the potential for additional reporting once the new computer system is in place. Potential B.P.A. rate increases were discussed. The Utility's participation in B.P.A.'s prepayment program was briefly discussed. One of the requirements for utilities to participate in this program is that they must have an established financial line of credit which we do not. A rate study report will be requested for the September Board Meeting.

The September Board meeting was rescheduled to September 21 due to a conflict with training in Portland, OR for the Board and Manager.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A letter has been received from the USDA Forest Service regarding Kinross Gold Corporation's decision to prepare their own EIS. Comments are due by October 10 and the Utility will again provide input.
2. A letter has been received regarding the upcoming "Wings Over Republic" fly-in. The Utility will again sponsor in the amount of \$100 as approved by a motion duly made, seconded and carried.
3. A letter has been received from Bonneville Power Administration advising of its decision to sign an agreement for the next phase of Columbia Grid.
4. A letter has been received from Bonneville Power Administration advising that it has settled with Southern California Edison and agreed to pay 28.5 million dollars plus interest. The settlement will prove good for the region.
5. An email letter from Mr. Joel Kretz regarding the Wauconda gas station has been received and was briefly discussed.
6. Notification has been received from WPUA regarding the time frame for nominations for the various awards.

Meetings:

1. A Small Business roundtable with Representative Kathy McMorris has been scheduled for August 29 at City Hall.
2. There will be a conference call on August 29 to discuss utility readiness for a pandemic flu event.
3. A special workshop has been scheduled for September 6 to discuss B.P.A. and the Regional Dialogue and to develop a draft position paper.
4. A notice has been received from the State of Washington Board of Industrial Insurance that they will hold a workshop in Spokane on September 14.
5. An NWPPA Building and Integrated Resource Plan workshop will be held in Vancouver on October 3.
6. The 2006 Solar Power meeting will be held in San Jose, CA October 16 through 19.

General Business:

1. Sentencing of one of the individuals involved in the theft of Utility equipment was held on August 18. The documents listing property stolen and costs was modified after the Utility submitted it to the Prosecuting Attorney's Office. Manager Weller will see to the correction of the restitution the Utility is seeking.
2. Work is still continuing on the sub-station property transfer to the EMS District.
3. The State Audit Examiners visited the Utility for only three days this year. The audit team was able to complete a portion of the review prior to their arrival.
4. The Utility has received a request from a State agency for information regarding a particular consumer. Attorney Graham has since advised that it is the Attorney General's opinion that utilities may provide consumer names and addresses if the request is received in writing. The names of family members and electrical usage may be withheld. The requesting individuals may be charged for the cost of the expenses associated with compiling and printing the information.
5. A consumer who is currently receiving his electric bill in the same envelope as another consumer has asked that the Utility consider changing its policy on the mailing of the monthly bills. At the present

time, all bills showing the same mailing address are put into the same envelope to help reduce Utility expense. The Board was in concurrence that the Utility would not change the policy and it would be the consumers responsibility to resolve the matter.

6. PCS provided the cost proposal for the discovery phase associated with the accounting portion of the new computer system. A motion to proceed with the new computer system was made by Commissioner Caudell. The motion was seconded by Commissioner Kroupa and unanimously carried.
7. During work on a line extension, the crew was driving through very tall grass and hit the stand-up pipe for a well casing. A hole was made in the hydraulic tank which allowed the hydraulic fluid to drain out on to the ground. The Utility's insurance company has been contacted and has been in contact with the property owner. Initially the property owner was agreeable to removal of the oily soil and replacement with clean material. Now, however, the owner has requested two other water wells be tested and financial restitution for the devalued property. A counter proposal was made by the insurance adjuster and the property owner was not in agreement and terminated the telephone conversation.
8. Another consumer on Vulcan Mountain has asked that the Utility use an alternate route for a right-of-way across their property. The property owners have agreed to pay for the alternate route although one of the individuals has demanded in writing, a statement that the Utility agreeing to put everything back just the way it was originally. Copies of easements have been obtained and the property owners have contacted their attorney and are now willing to discuss the matter.
9. The joint labor and management group will meet in Kennewick on August 24. Manager Weller and Auditor Groth will attend the meeting.
10. Public Power Week is the first week in October. T-shirts will be purchased for Commissioners and employees to be worn during this time. Articles will be placed in the area newspaper and cookies will be provided in the foyer in a show of appreciation to our consumers.
11. A gentleman living on Klondike Mountain, has contacted the Utility regarding a variety of unusual occurrences he has been experiencing. The gentleman feels that the problems are related to the microwaves from all of the communication equipment located in this area. It has been suggested that all of the equipment be tested.
12. A right-of-way issue on Kroupa Road has been researched, the situation resolved and power can now be provided to a new consumer.
13. The fair booth work schedule was presented for the Board's consideration.
14. Resolution Number 06-09 "A Leave of Absence Policy" was brought before the Board and adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously approved.
15. The Utility's newest employee Jacob Burbank was recently married.
16. The company picnic held at Manager Weller's lake property was very nice with most of the employees attending.

Lobbying: None

With no further business to come before the Board, the meeting adjourned at 5:10 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager