

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
September 15, 2008

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:20 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell who joined the meeting at 10:00 a.m., and Nathan Davis, Manager John Friederichs, Attorney Steve Graham, Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen.

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

The minutes of the previous meeting were discussed with corrections and clarifications made. The process by which the Minutes are presented to the Board and their approval was discussed. Attorney Graham advised that because they are in a draft format they could be changed. The Board was reminded that the Minutes of the previous Board Meeting are printed in the Minute Book, not in draft format, and signed by the Board on the day of the Board Meeting. Any retyping would delay the final signing until another Board Meeting and availability to the public another month. The Board was in concurrence that they wished the Minutes to be presented as they are at the present time. Commissioner Davis stressed that he wanted them available in a more timely fashion. A motion to accept the minutes as corrected was made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.

Public Comment Period: None.

Visitors: Rusty LaViolette

Mrs. LaViolette represented the North County Writers. She explained that the upcoming Writer's Conference would be the second annual and pre-registration was better than anticipated. She provided the Utility an opportunity to provide a sponsorship. Attorney Graham advised that the Utility is not able to make a donation of public funds but can sponsor an event by receiving something such as advertising in return. Mrs. LaViolette explained that there will be a sponsor banner on display as well as a program booklet for attendees. Mrs. LaViolette was asked to provide the Utility with a copy of the sponsor's booklet. A motion was made by Commissioner Davis to sponsor the 2008 Writer's Conference in the amount of \$100. The motion was seconded by Commissioner Kroupa and unanimously approved. The Board was thanked for the support and time and Mrs. LaViolette exited the meeting at 9:35 a.m.

Reports

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

1. The Fire Protection Level on lands north of the Colville Reservation has returned to a Level I. Reclosers have been returned to normal operation. The Reservation is at a Level II and still on non-reclose.
2. Basin Tree Service will resume work on September 29 to complete the 2008 season of trimming. They have approximately forty crew hours of work to be completed.
3. The crew is completing work orders at a faster rate than they are being created.
4. The Kinross project has been scheduled for the weeks of the 8th and 15th. Del Hur, the road contractor, dug up the primary line going to the mine. This did not interrupt mining operations as the line had not been energized. A pallet of repair items will be put together to make future repair work more efficient.
5. One new solar installation has been completed on Gold Mountain. The Columbia System was installed which is the largest offered by the Utility..

Auditor Miller took the opportunity to present a brief photo tour of the Buckhorn and Columbia River Carbonates projects.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A request for advertising has been received from the Ferry County Fair. The letter was received after the last Board meeting but prior to the Fair. A motion was made by Commissioner Davis to provide a general sponsorship of the 2008 Fair in the amount of \$300. The motion was seconded

by Commissioner Kroupa and unanimously carried.

2. A letter has been received from the WPUDA reminding all that it is again time to submit nominations for the various awards. A discussion followed.

Commissioner Caudell joined the meeting at 10:00 a.m.

3. A letter has been received from North Cascade Broadcasting regarding the Utility's advertising spots played during the Republic and Curlew football games. The Board is in favor of the advertising however, Manager Friederichs was asked to obtain a pricing schedule to be discussed at the October Board meeting.

Meetings:

1. The October WPUDA meeting will be held the 17th through 19th in Olympia. Commissioner Caudell is not available to attend. There is the possibility that Commissioner Davis will attend. Commissioner Kroupa will attend the September meeting and, depending on the issues from the September meeting, the Utility could consider sending someone.
2. The Energy Northwest Member Forum is scheduled for October 23 and 24. Commissioner Kroupa will attend.
3. The Annual WPUDA meeting will be held December 3 through 5 at the Seattle Double Tree Hotel.
4. An invitation has been received from Nespelem Valley Electric Co-op for their annual members meeting which will be held October 3 at the Nespelem Elementary School.

A brief recess was called at 10:16 a.m. with the meeting reconvening at 10:27 a.m.

Manager Friederichs continued his report:

General Business:

1. A notification has been received indicating that former Auditor Jennine Groth has filed a petition of review regarding the unemployment finding/determination.
2. The Fire Resistant Clothing Policy was again presented for discussion. The policy is to be implemented by January 1, 2009 and will allow the Utility to provide outside employees fire resistant clothing rather than provide them with a of \$400 per year fire resistant clothing allowance. The Utility will no longer reimburse employees for their purchases of such. A motion was made by Commissioner Davis to adopt the policy for Fire Resistant Clothing as per Section 41.a.3. The motion was seconded by Commissioner Caudell and, with no further discussion, the motion was unanimously approved. The Union has advised that this policy will cover anyone who might be exposed to electrical burns including the Mechanic, Pole Tester and possibly Staking Technician. The Union also wants to make sure the property clothing is purchased consistently.
3. Preliminary arrangements have been made for the tree felling training required by the Department of Labor and Industries. No final date has been set. The fine has been paid. The wording of the fine was discussed and it was learned that, because the decision is already on file, the only way to make such a change would be through an appeal of their decision. Nothing more will be pursued as the Board was in agreement that an appeal would not be sought.
4. Met with Kinross regarding the Alpine Construction contract for the Buckhorn Mine. Kinross hired Del Hur to complete a portion of the underground ditch work included in Alpine's contract without the knowledge of the Utility or Alpine Construction. As per the contract the Alpine charges were passed on to Kinross, by the Utility, and Kinross had concerns regarding these charges. The decision was made by Kinross General Manager Lauren Roberts to pay the billing as submitted by the Utility.
5. The Columbia River Carbonates project has been operating on P.U.D. power for approximately one month. The contractor has found that the equipment operates much better on our power rather than that from their generators. A check has been issued by CERB. Unfortunately, it was issued to the County rather than the Utility and had to be returned. We are still waiting receipt of this payment. Another request for the balance of the funds to cover the project will be submitted upon receipt of the first payment.

The Conservation Report was presented by Manager Friederichs.

1. The annual review and audit was completed in late August with B.P.A. pleased with the results.
2. The Curlew Medical Clinic became the first PV recipient of a payment for the kWh's generated in excess of their needs.
3. The Energy Audits have been completed for all area schools. Republic's retrofit is almost completed and Keller and Curlew have yet to decide which options they wish to pursue. The Republic School is working with Kinross Mines to have a 500 kW generator made available to them as detailed in the

Community Emergency Preparedness Plan. There is the possibility that this will qualify for a RUS project with 70-80% of the costs covered if approved.

The Attorney's Report was presented by Attorney Graham:

1. An update on the Okanogan resident/customer annexation was provided. The Utility's position on the proposal was discussed. The Utility cannot formally be in favor of or against the issue. Only basic information can be discussed i.e., that this is a P.U.D. annexation and not a County annexation. The Board was in concurrence that an information item should be prepared for the newspapers. Manager Friederichs will see to the article.

Commissioners:

Commissioner Caudell:

1. No report.

Commissioner Davis:

1. Attended the TEDD meeting. Primary discussion was of the State audit. The Steinbock property is finally moving. The trailer court has been sold and the tavern has been leased with an option to buy. Roof damage occurred at the TEDD office building during a windstorm. Director Leslie Jones will attend the October P.U.D. Board meeting.

Commissioner Kroupa:

1. No report. Is pleased to see recent comments from PPC and other entities of public power protesting Steve Wright's proposal to pay the B.P.A. debt early. B.P.A. still recommends signing the contracts and working out the details later.

A break was called at 11:15 a.m. with the meeting reconvening at 11:25 a.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. The Board was queried as to their desire regarding the Treasurer's Report. Specifically, if they wanted to continue to receive the report in their packets and to have the information presented during the meetings. The Board was in concurrence that they wished to continue with the Report in its current format with no changes.

Manager Friederichs took the opportunity to advise the Board that the Utility will be receiving an additional \$66,000 from B.P.A. as additional true-up. An additional \$290,000 will be allowed as credits on power bills over the course of the 2009 billings. The information has been received in draft format from B.P.A. with nothing finalized as yet.

The future of the High Cost Energy Grant program was discussed. Manager Friederichs advised that he is developing a proposal with various options structured to continue the program. Financing the work is of another matter with a brief discussion of possibilities held. Interest is still high with two to three individuals making inquiries each week.

2. Operating Funds available as of September 10, 2008 were \$689,473.61 with restricted funds of \$1,696,012.81. There were twenty-six outages in the month of August for a year-to-date total of one hundred thirty-six compared to ninety-three for the same period in 2007. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
3. A summary of assistance payments received for the period June 1, 2007 through May 31, 2008 was presented and briefly discussed.

The Board briefly discussed possible opportunities for the additional B.P.A. payback. No decision was made pending receipt of the funds.

The meeting recessed for lunch at 12:05 reconvening at 1:04 p.m.

The Treasurer continued her report:

4. The possibility of ordering 2009 calendars to be given to the public was again presented. A motion to purchase 2009 calendars was made by Commissioner Davis. The motion was seconded by Commissioner Kroupa. The motion carried with two votes for and one vote against. A conservation format will be requested for the 2009 calendars and because of the new theme, the possibility of the

purchase qualifying for a conservation expenditure was discussed Commissioner Caudell was given the honor of selecting the photo to be used on the cover.

The Auditor's Report was presented by Rory Miller:

1. The 2009 Budget hearing will be held during the October 20 Board Meeting.

Commissioner Caudell requested that comparison of electric heat and the other sources available locally be developed and run as our advertisement in the News-Miner. Commissioner Caudell requested that regional costs also be included. The need to offer more relevant advertisements was also discussed.

Commissioner Caudell asked that the State Auditor's Office be contacted regarding the management letter which was omitted in 2006. Auditor Miller advised that the management letter will be standard practice from this point forward as it is an RUS requirement.

2. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 3400 through 3516, direct payroll deposits numbers 9900245 through 9900272 and wire transfer number 43 in the total amount of \$555,977.25 were approved by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

Commissioner Kroupa advised the Board that it is time to complete a performance review for Manager Friederichs. The formal review process will be completed at the October Board Meeting.

Commissioner Caudell questioned the re-establishment of a service that had previously been in existence. He also questioned if it would again be possible to connect the Keller system to the Republic system to ensure continuous service. Manager Friederichs explained that this had not been looked at in depth. The old system is not three-phase and at the time it was taken out there wasn't enough benefit to bring up to standards and it could barely carry Keller. Current costs to upgrade to a three-phase is \$350,000 per mile and approximately 50-miles would need to be brought up to standards.

Manager Friederichs advised that information is being gathered regarding the possibilities of connecting to Okanogan County P.U.D. to allow redundancy. A feasibility study and budget estimate will be needed and Power Engineers could provide this information. Okanogan County P.U.D. has studied this several times. The possibility of obtaining CERB funding for the planning process is being considered with Okanogan County P.U.D. performing the plan. This could also allow for fiber to be brought into the County.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 2:15 p.m .

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager