

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
September 18, 2007

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:09 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell and Nathan Davis, Manager Roberta Weller, Attorney Steve Graham, Auditor Jennine Groth and Secretary/Treasurer Jayne Jurgensen. Conservation Director John Friederichs and General Foreman Randy Sage joined the meeting later in the day.

Visitors: Kathy Lust

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

The minutes of the August meeting were approved by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.

Public Comment Period: None at this time.

The meeting was turned to Mrs. Lust who explained to the Board that, at the recommendation of the Utility, had purchased a new CT Meter which was installed in late 2006. This meter change was necessary as it was no longer possible for the Utility's meter reader to access their meter as it was now housed within a garage which had been constructed around it. The Utility identified an error on the Lust's account early in 2007 and a corrected billing was calculated and sent to them. The error occurred when the new meter information was not completed correctly and was therefore entered into the computer billing system incorrectly. The Lust's question the Utility's action in billing them the back charges for an error made by the Utility. Attorney Graham stated that the statute of limitations on the Utility's ability to collect the back charges is three years and the Commissioners made the same decision for the same situation at the Keller Medical Clinic. The Utility has a duty, as monitored by the State Auditor, to collect for all services rendered. A lawful policy could be enacted by the Commissioners for under billing wherein the Utility would go back for a specific number of months but there is nothing like this in place. This is a very difficult situation for a governmental entity to enact such a policy and the Utility will also have to see what the State Auditor would say. His advice to the Board was to make efforts to recoup such billings. The customers, in situations such as this, should have sufficient time to pay back such amounts. Commissioner Davis stated that he felt that the billing was somewhat unfair as one of the Utility's employees did make an error yet the consumers did use additional power. The customers did contact a Utility employee who advised them that the billings were correct. Manager Weller stated that the customers billings, prior to the installation of the CT meter on August 16, 2006, were over \$100 per month and after the installation of the meter were in the mid \$20 per month range. Incorrect billings were made for seven months and the customers did speak with the Conservation Director who did not take the matter further to the correct utility personnel. Commissioner Kroupa stated that the Commissioners, throughout the year, receive a number of consumer complaints. He again questioned why the same mistake was made twice in a row. He further recommended, if at all possible, for the Lusts to make arrangements to pay the debt in a timely fashion and in a manner that does not hurt them financially. He has not heard any dispute over the fact that the power was used. The situation was just an error and the other customers should not pay for the error. Commissioner Caudell asked for Mrs. Lust's comments. She stated that the P.U.D. did require them to pay \$500 to have the new meter installed and this was a lot of money for them. They did not understand why it was no longer possible to have their old meter read even though a garage had been built around it. They assumed that the new billings were correct and that the P.U.D. had changed how they were billed because of the new meter. They did talk with a friend who works for the P.U.D. and that person agreed with their line of thinking. The receipt of a bill over \$1,000 was quite a blow. Several letters were sent from the P.U.D. and Mr. Lust did respond to each of them. The additional billing to a governmental agency for such an error seems correct while billing a family for such an error is a hardship. The records do show that they do pay their bills. They paid \$500 in good faith to have the meter installed correctly. The P.U.D. needs to be responsible as the mistake was not theirs. Commissioner Caudell thanked Mrs. Lust for her additional comments. He further explained that the additional billing costs would have to be made up by the other customers and the Utility has financial responsibilities it must also meet. He named several programs that may be of assistance in helping with energy conservation and monthly utility expenses. Manager Weller stated that the Utility has put into place an additional procedure to eliminate future errors of this nature. She further encouraged the Lusts to visit with her to set up any type of payment arrangements that would be acceptable to both parties. Commissioner Davis again stated that he felt the Utility was partially to blame as there appeared to be a lack of accountability. He questioned the difference in this situation and the matter of the hydraulic oil polluting a customers water well. The later was simply turned over to the Utility's insurance company. He questioned whether there wasn't an accountability issue in regard to the farmer's pump that was burned up due to incorrect voltage which was caused by a contractor working for the Utility. He stated that he would like to see a comparison between the Lust's prior years charges and the current years usage to determine how much more power was used and to have that amount taken off of what they owe. Attorney Graham was asked for guidance. He again stated that the Utility is to collect debts due and can't publically gift monies to **individuals**. He is not aware of a lawful way that the Commissioners could direct the Manager to write off

one-half or one-third of the debt without the enacting of a policy on the subject. Research could be completed on the matter for the October Board meeting as it is within the scope of the Commissioner's ability to set policy. Commissioner Davis requested Attorney Graham to research the matter for the next Board meeting. Attorney Graham advised the Board to table the situation with the Manager needing direction on how to deal with the Lust account. Commissioner Kroupa questioned whether this would be acceptable to Mrs. Lust and added that the matter will be put on hold for one month to allow the Board to consider a policy on the matter. He further stated that the entire amount of the billing would not be waived. Had the Lusts not been misinformed they would not have used power excessively. Manager Weller stated that she thought the Lusts should have come to the Utility earlier to set up payment arrangements and that \$1 per month is not an appropriate payment. Mrs. Lust stated that her husband had written a letter to each Commissioner and they felt the matter was pending. Commissioner Kroupa summarized by explaining that the Board's decision will depend upon the information provided by Attorney Graham. He further asked that the Lusts make a more reasonable payment plan with the District's Credit Manager. Commissioner Kroupa again apologized for the unfortunate error. Mrs. Lust thanked the Board for their time and exited the meeting at 9:55 a.m.

Reports:

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. Two thank-you notes have been received from a local business for the Utility's business.
2. A thank-you note has been received from Tom Wolfe, CPA for Columbia Basin Electric Cooperative who, along with several members of their board, visited the District to view solar installations. Mr. Wolfe also visited with the Manager regarding the PCS computer system.
3. An announcement, has been received from the WPUDA, providing the date of the dedication ceremonies for the new building. The date has been set for October 17 at 4:00 p.m. Commissioner Caudell advised that anyone planning to attend is to RSVP.
4. An invitation has been received from Nespelem Valley Electric Cooperative to their annual meeting which will be held on October 5. Manager Weller and Commissioner Kroupa will attend.
5. A letter has been received from the Washington Cattlemen's Association providing the Utility an opportunity to purchase a meal sponsorship for their annual meeting. No action will be taken.
6. A letter written to all business owners from the City of Republic has been received. The letter is a reminder that it is the business owners responsibility to keep the sidewalks free of weeds and grass as well as snow and ice.
7. A request was received from Kinross General Manager, Loren Roberts, for support of the Buckhorn project. Letters were sent. Commissioner Kroupa added that he had the opportunity to read a letter written by Kinross to its employees. The letter explained that the appeals court threw the Okanogan Highlands Alliance appeal out and that road construction will begin this fall.
8. A letter has been received from APPA explaining that they are still working on the electrical market reform initiative and are in need of additional funding. No support was provided last year and none will be provided this year.

Meetings:

1. The WPUDA meeting to be held in Republic was discussed at length.

General Business:

1. The new computer system went "live" on September 4 for the billing and payments portion. All has been going fairly smoothly. Auditor Groth interjected that Customer Service Reps. Sheila Rittel and Joyce Dunn are very excited about the new program and have been coming in early to get work completed. She is very impressed with their enthusiasm. There have been a few problems that have been worked through. The sample billing mailed to all customers was discussed. The purpose of the letter was to provide all customers with an example of the new billing so that there would be no opportunity for anyone to say that they had not been informed of the change. To date, \$148,000 has been spent with \$250,000 budgeted.
2. Updated copies of the Utility's Policy Handbook were presented to the Board. Additional changes are still needed.
3. A letter has been received from Energy Northwest explaining that the Reardan Wind Project is no longer fully subscribed. They are seeking non-binding offers to achieve full subscription. A discussion followed which included Tier 2 power. The Board was in concurrence that Energy Northwest be apprised of the Utility's support of the project but it's desire to not purchase the power.
4. Have received a draft long-range plan from Power Engineers. Mr. Bowers is not available to review until later in the week. This is the next step in the RUS loan qualification process. This is the second of four reports needed.
5. Federated Insurance performed it's annual visit to the District for risk analysis. There have been a few issues with vehicles and nothing of a major nature was identified. A defensive driving course was offered. This is also provided through ESCI, the current safety program provider.
6. Mr. Ken Hustad has provided B.P.A.'s report of the costs for the 2006 Columbia River Basin Fish and Wildlife Program.
7. Copies of high water mark information for utilities, as provided by Mr. Ken Hustad, was presented to the Board.
8. Ferry County is cleaning out old records and the Utility was given a book of the 1911 and 1912 Articles of Incorporation for the North Washington Power and Reduction Company. Very

interesting.

A brief recess was called at 10:57 a.m. with the meeting reconvening at 11:07 a.m. with Andrea Olson joining the meeting.

Commissioner Kroupa took the pleasure of presenting a 25-year diamond pin to Manager Bobbi Weller. Manager Weller began working for the District on June 28, 1982. Pictures of the presentation were taken and Mrs. Olson exited the meeting at 11:10 a.m.

9. One Revolving Loan Application is available for review. A meeting has tentatively been set for Friday, September 21 at 1:00 p.m.

The Attorney's Report was presented by Attorney Graham:

1. To date nothing further has been accomplished on the annexation of that portion of Okanogan County served by Ferry County P.U.D. The Board was in concurrence that Attorney Graham should prepare the ballot for the group and send it to the Okanogan County Prosecuting Attorney for review.
2. A letter was sent to Kinross requesting their agreement in the reduction of the performance bond for Mr. Fagley as discussed at the August meeting. Kinross is not in agreement of the reduction and Mr. Fagley has been made aware of their decision. It is their opinion that 100% performance bond is required and this is the amount that should apply. Mr. Fagley is basically self-bonded as he will be ~~paying posting cash to the surety company~~. The 25% performance bond agreed to by the Board is legal. Commissioner Caudell advised that this is the reason he proposed a change in the contract as this is what Mr. Fagley is interested in doing by changing the contract to time and materials. The Board was advised that Kinross is a profit motivated national organization and should remember that it is business with them.
3. Researched the subject of bidding out services that need to be worked for the P.U.D. There are three different classifications of public works that have to be bid out. Professional services only have to be bid when the work involves architectural or engineering services but for random matters like shoveling the sidewalk or stuffing envelopes for a bulk mailing there is no RCW that requires advertising and bidding. There is no RCW that prohibits a utility from proceeding with a bidding procedure and advertising unless the commissioners direct otherwise.
4. ~~Has Have not~~ reviewed the draft grievance policy as prepared by Commissioner Davis. A policy of this nature would be like any other policy and is not the law. There are times when lawyers encourage policies to be written so that there is some type of formal way for grievances to be handled.

Commissioner Davis stated that there are still problems with his email. He is attempting to track down the problem. Has spoken with Tim Beckner who stated that the problem lies with the cable company. He has spoken with George Bonney who feels that the problem is in the firewall installed at the Utility as there are settings on this that are not allowing emails to be processed. Mr. Bonney has submitted a request to the firewall company to correct the problem which has continued for over a month.

5. The Steinbock case continues. Most of the different claims were dismissed. The matter is slated for trial in December for a breach of contract claim. The Judge will be asked to dismiss the matter.

Commissioner Caudell again presented the possibility of the Utility holding the B.P.A. payment funds for residential exchange that B.P.A. has been collecting and banking. Questioned whether the Board cared to move forward on the proposal. Thirty percent of the power bill is being collected and held by B.P.A. He further questioned if it would not be reasonable for the Board to notify B.P.A. of that in a formal letter and perhaps go farther. Commissioner Kroupa advised that he was in agreement however, would like to see WPUDA and NRU continue to represent us to B.P.A. because if the Utility went out on its own as a rogue utility in protest this step would undermine their efforts and others. He added that making a statement to B.P.A. questioning the responsibility would be acceptable to him but it would not be acceptable to him for the Utility to take the law into its own hands. This would put the Utility's relationship with B.P.A. in jeopardy.

The meeting recessed at 12:07 p.m. for lunch reconvening at 1:21 p.m. with Engineer Curt Brenner joining the meeting.

Mr. Brenner presented a proposed 3-phase line extension to the Board for their consideration. The line would be one single span of 238 feet at a cost of \$15 per foot. The Board concurred with Mr. Brenner's project proposal. He was also asked to provide the current costs of materials.

Commissioners:
Commissioner Caudell:
Nothing to report.

Commissioner Davis:

1. Attended that August 22 TRICO meeting. There are a lot of changes occurring and things are moving forward. Projects reviewed included a grant proposal for park benches to be placed along

- the Tiger Trail which is second on the list.
2. Was unable to attend the check presentation made by Representative Cathy McMorris.
 3. Commissioner Caudell was provided a copy of the proposed grievance policy. Has not had an opportunity to review the information emailed by Attorney Graham. This information will be sent on to fellow Commissioners.
 4. Most pressing issue is the inability to check email. This has been an issue for over a month and would like to see it resolved.

Commissioner Kroupa:

1. Attended the presentation made by Representative Cathy McMorris. Senator Morton and Representative Kretz were in attendance as were a number of other dignitaries.
2. Attended the Energy Northwest picnic.
3. Questioned whether The Hitch n'Post could be sold while in litigation with the Utility. Attorney Graham advised that the property is not involved as a piece of property just the owner.
4. The need to begin advertising for the Manager position was presented for discussion. Commissioner Caudell stated that a workshop was needed to determine the qualification needed prior to advertising. He has spoken with other Commissioners who have recently hired managers and this is the first step. Commissioner Kroupa expressed concern that this would cause a delay in the process. Manager Weller presented pricing for the various trade magazines that will be used and the proposed advertisement was presented. Commissioner Caudell stated that the manager should reflect the plan/direction the utility is to go and that there are three manager types, i.e., auditor, engineer and politician. The salary range was discussed with Commissioner Caudell advising that a salary range study may be helpful. He expressed concern that it will be hard to find anyone who will work for the salary paid. He further stated that the President of the Board will receive the applications which will guard against a conflict of interest or the appearance of the conflict of interest **in the event a current employee should apply**. A thorough conversation is needed, not a casual conversation during a public meeting. Attorney Graham questioned how this type of meeting would qualify under the Open Public Meeting Act. The hiring date was considered to be either February or March. Commissioner Caudell questioned whether Manager Weller would continue past February to help the new manager. Manager Weller answered in the affirmative however, she would not be present every day. Commissioner Kroupa posed the possibility of holding a public meeting with the public or Utility employees to meet the final candidates. Attorney Graham was asked to make certain a special meeting would not be in violation. An Executive Session was scheduled for October 18 in Olympia for the purpose of discussing the manager's position if acceptable to meet.

Commissioner Caudell questioned the date of the budget workshop. As nothing has been set he would like to hold it before the end of November.

Manager Weller reported that an email has just been received regarding the 2006 Financial Audit. The audit is scheduled to begin on October 23 and will be a complete three week audit. Sufficient money may not have been included in the budget to cover three weeks.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of September 10, 2007 were \$1,435,767.57 with restricted funds of \$1,443,641.35. There were eighteen outages in the month of August for a year-to-date total of ninety-three compared to one-hundred twelve for the same period in 2006. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. The 2008 calendar order was discussed.

A recess was called at 2:26 p.m. with the meeting reconvening at 2:34 p.m. with General Foreman Sage joining the meeting.

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

1. A letter from a High Cost line extension customer has been sent to the Board. The consumer expressed his displeasure in his neighbor's decision to not initially participate in the line extension and now can take advantage of the extension. There is also an issue regarding a neighbor's light. The consumer has also spoken with Commissioner Kroupa. General Foreman Sage advised that when the High Cost program was discussed it was decided that there would be no offerings to the person who connects after construction. There is no lighting ordinance in Ferry County and the Utility has no issue.
2. Attended the Kinross/Buckhorn meeting. The draft good neighbor policy was ratified last month. This is a procedural document that will allow public issues to go to a good neighbor board who will in turn take the issues to Kinross. At this time, the mine is scheduled to open in September or October 2008.
3. There have been two primary underground outages.
4. The crew is working in the Curlew Lake area replacing wire. They will then move to the Job Corps sub station to replace wire.
5. The Fire Precaution Level has dropped to a 2 to coincide with the DNR.
6. There are quite a number of work orders to be completed. At this time the work is four weeks

behind.

7. An aerial photograph of the Manilla Creek Fire area was shown. The District lost one pole with two damaged. Has spoken with the individual responsible for structures and requested funding to replace three poles and aid in falling timber which will be quite extensive.

Mr. Sage was thanked for his time and he exited the meeting at 2:49 p.m.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved Warrants Numbers 1826 through 1995 and wire transfer numbers 15 and 16 in the amount of \$358,504.74 by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.
2. The Financial and Statistical Report was presented.
3. The D. H. Hittle & Assoc. report was presented and discussed.
4. Attended the last accounting workshop for the certification program.

Manager Weller exited the meeting at 2:54 p.m. for the day.

Conservation Director John Friederichs joined the meeting at 2:57 p.m. for the purpose of presenting the Conservation Report:

1. Work on the Utility Tax Credit continues. The first payment has been received and the best utilization of the payment is being studied.
2. The CFL bulb program is a success. The first order of bulbs has been sold and another order placed.
3. The official check presentation for the Hospital PV system will be made next week.
4. The Curlew Medical Clinic has enrolled in the State Incentive Program. In order to qualify they must have an approved Net Metering Agreement in place.
5. Nothing further on the wood waste-to-Methanol project. Information has just been received regarding a Forest Service grant program for promoting wood waste conversion to energy.
6. Working on the High Cost program extension. The Board was questioned whether they wished to continue the program and if so at the current rate.
7. The solar upgrade has been completed. The new inverter has been installed and the faulty one sent for repair.

Mr. Friederichs was thanked for his time and he exited the meeting at 3:26 p.m.

The Revolving Loan meeting was set for September 21 beginning at 12:30 p.m.

Lobbying: None

With no further business to come before the Board, the meeting adjourned at 3:30 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager