

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
September 19 and 20, 2011

The regular meeting of the Board of Commissioners was called to order by President Doug Aubertin at 9:08 a.m. Present were Commissioners Aubertin, Chris Kroupa and Nathan Davis, and Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke; Attorney Steve Graham and Secretary/Treasurer Jayne Jurgensen.

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

The meeting was chaired by Vice-President Davis due to Commissioner Aubertin not feeling well.

Visitors: None.

The Minutes of the August meeting were clarified and approved by a motion duly made, seconded and unanimously carried.

The upcoming rate increase was briefly discussed.

Reports:

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

1. Contract tree trimming will begin this day for a six-week period. Will focus on danger trees that the crew has identified.
2. A small grass fire was started on Bunch Road when a squirrel came in contact with a distribution transformer. The Department of Natural Resources did interview the lineman on call. The Utility does install some squirrel guards in areas prone to outages from such. In most cases, the cause of isolated outages is not know until it has been identified.
3. Pole testing has been completed for the year. Another 10-year cycle was completed for the Toroda Creek area.
4. Sub-station maintenance is now in progress
5. The full system meter audit will begin on October 1. Information needed for the new computer system upgrade will be obtained at the same time. Data will be collected for each meter, i.e., type, location, etc. to provide information for future system maintenance needs.
6. New construction is completed as jobs are made available. One longer line extension has yet to be completed as scheduling of the cable plow has yet to be finalized.
7. Right-of-way system maintenance and pole replacement work is being accomplished along with the identification of danger trees.
8. Line maintenance work West of town will be completed during the winter months.

Commissioner Kroupa questioned the Strassburg Substation transformer to have been purchased in 2011 and now scheduled for 2012. Mr. VanSlyke explained that the substation actually has two transformers to be replaced but only one to be purchased in the coming year at an approximate cost of \$120,000. Rebuilding transformers of this size is not recommended as they do not operate as efficiently. The existing transformer has been in place since the mid to late 1980's and the unit has new windings and paper as well as being retro-filled with the FR3 oil.

Mr. VanSlyke was thanked for his report and he exited the meeting at 9:31 a.m.

The Attorney's Report was presented by Attorney Graham:

1. The Settlement Agreement/ suit filed against the Department of Revenue regarding privilege taxes for the years 2007 through 2009 has been dismissed by the Washington State Attorney General. The Department of Revenue has agreed to credit the Utility's account the amount of the overpayment.
2. A letter has been sent to the Verizon attorney regarding their delinquent billing for pole contact costs.
3. The loan documents for Eureka Thrift were created. They have not been returned to his office and this was questioned. Mrs. Jurgensen explained that the contract is in place and all documents have been recorded.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A thank-you to the Revolving Loan Board has been received from the Eureka Thrift.
2. A thank you note has been received from young Mr. Jordan Starr who won the John Deere tractor raffled during the Fair.
3. A request has been received from TEDD to again become a member for the 2012 year. Cost will be \$1,500.00 A discussion followed with no decision made.

Commissioner Kroupa questioned whether the Utility provided financial sponsorship for the 2011 Ferry County Fair as no recognition of the Utility was made. The Utility did sponsor the event in the amount of \$300.

4. A request to support the Ferry County Hospital District at it's fund raising event was presented.

Attorney Graham advised that it would not be appropriate for the Utility to purchase the \$440 dinner as the Utility cannot purchase meals for employees at such an event.

Meetings:

1. The WPUA Manager's meeting will be held October 20 and 21 in Olympia. The Commissioner's meeting for those dates has been cancelled. Manager Friederichs will attend via telephone.
2. The NRU meeting has been scheduled for November 2. Commissioner Kroupa will attend.
3. A meeting has been scheduled by the Ferry County Auditor for the purpose of presenting a proposal for modification of commissioner district boundaries. Attorney Graham recommended that the Utility keep their district boundaries identical to those that the County proposes and divide that portion of Okanogan County between the three commissioner districts. Manager Friederichs will attend the meeting.
4. The first SEDC specification gathering trip for the accounting portion of the system has been scheduled for September 27 via telephone.

General Business:

1. The Department of Natural Resources fire investigation report for the 2010 Fish Hatchery Fire has been completed and is available to the Board. No assignment of liability was made. The findings portion of the report indicates that the fire was a result of an electrical connector fault in a hot line connector with the resulting sparks falling into receptive fuels. The report also stated that there were strong winds from the southwest.
2. Another claim for damaged property, as a result of the Fish Hatchery Fire, has been received from an attorney representing Greg and Jerri Anderson. The second claim reflects considerably more in property value than the initial claim filed.
3. The contract documents have been finalized for the transfer of the Utility's portion of the Packwood generation to Clallam County P.U.D. The Utility will continue to own its share of the project and will be assessed for maintenance expenses of the facility. Packwood was calculated in the Utility's structure for generation.
4. The annual on-site review made by Federated Insurance has been completed.
5. A pole was struck by a vehicle and broken off in the Keller area near Silver Creek. The pole was physically moved approximately eight feet. No vehicle was at the scene nor has any personal injury or vehicle damage been reported.
6. The Utility has complied with B.P.A.'s request regarding how power purchases above the high water mark would be dealt with. The option selected was full load growth rate or B.P.A.'s full service. In most cases, the excess power would be less than 1 megawatt and the issues associated with such a small, occasional transaction would be monumental. The Board discussed the matter briefly.
7. A bid was requested and received from Western States CAT for a three-year lease of a small excavator comparable to the one that is currently under lease. If the Utility were to turn back the current machine and lease another for the required three year period, the monthly payments would drop from \$1,020 to \$754. The buy-out price on the current machine is \$16,000.00. The Board was in concurrence that the Utility should lease a new machine.

A brief recess was called at 10:45 a.m. with the meeting reconvening at 10:52 a.m.

Manager Friederichs continued his report:

8. An Argo snow machine to be used in place of the Tracksters, which have now been sold, has been located in Montana. The equipment is in the 2012 Proposed Budget but not the 2011 Budget. Pricing was obtained for budgeting purposes thus locating machine which is a used, demo with approximately 1.5 hours of use. The purchase price is \$27,757 with a \$1,449 discount if we pick the unit. There is \$20,252 in the Surplus Equipment account which would result in \$6,000 coming from the 2011 Budget. The potential need for the equipment this winter was a consideration. The Utility still has the large Tucker machine and there is the possibility that it could be sold although there is approximately \$10,000 in repairs to be made. The current and proposed budgets were discussed. A motion was made by Commissioner Kroupa to purchase the Argo in 2011 with the understanding that the purchase will be removed from the 2012 budget and those dollars added to the cost of purchase power; the purchase will utilize the surplus equipment fund with the balance from capital expenditures. The motion was seconded by Commissioner Aubertin and with no further discussion was unanimously carried.
9. The Board meeting to reconvene after the rate hearing to establish the new rates was discussed. The Board was in concurrence that they would reconvene on Tuesday, September 20, 2011 at 1:00 p.m. in the Basement Board Meeting Room.
10. An application to the Revolving Loan/Grant Fund has been received from the WSU Extension Office. The review meeting will be scheduled to follow the October 17 Board Meeting.

The Conservation Report was presented by Manager Friederichs:

1. Notification has been received from B.P.A. that they have transferred \$130,000 to the Utility's account to cover the outstanding work on the Kinross Project.
2. No information has been received from B.P.A. regarding future conservation programs. All conservation work has been put on hold pending final information.
3. A test LED streetlight has been installed in the alley behind the P.U.D. office building.

Resolution 11-06 "Correction of a Resolution to Establish a Leave of Absence Without Pay Policy" was unanimously adopted by a motion made by Commissioner Kroupa and seconded by commissioner Davis.

Manager Friederichs reported that Lineman Justin Koepke has returned to work at the Utility after an

agreement was reached with IBEW Local 77.

Commissioners:

Commissioner Kroupa:

1. Attended the Energy Northwest Member Forum. Proved to be very informative.

Commissioner Aubertin:

1. Attended no outside meetings.

Commissioner Davis:

1. Attended the WPUA meeting which was held at Long Beach, WA in Pacific P.U.D.'s territory. Meeting was very informative with an editor of a local newspaper speaking to the group. This was very pertinent in light of recent reporting issues experienced by some utilities. An overview of additional topics was presented.

The meeting recessed at 12:16 p.m. for lunch reconvening at 1:27 p.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of September 10, 2011 were \$1,267,286.57 with restricted funds of \$1,271,870.47. There were seventeen outages in the month of August for a year-to-date total of eighty-six compared to one hundred thirty-five for the same period in 2010. The Revolving Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed.
2. The Agreement to serve on the Revolving Loan Grant Fund Board was received from Mrs. Gail Kuehne and approved by the Board.
3. Resolution 11-07 "A Resolution to Cancel Unclaimed Warrants" was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Aubertin and unanimously carried.
4. A High Cost Energy loan customer was discussed. Attorney Graham will follow-up on the matter.

The Auditor's Report was presented by Sue Nush:

1. The State Auditors will be with the Utility for the first two weeks of October.
2. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 7664 through 7784, direct payroll deposits numbers 9901331 through 9901361, Electronic Fund Transfer number 174 through 176 in the total amount of \$451,922.02 and voided warrant #7663 were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.
3. The Packwood Lake Hydroelectric Project Performance Summary for August 2011 was shown.

Manager Friederichs inquired as to the Board's wishes regarding the TEDD dues payment. The Board concurred that they would make no payment at this time.

A brief recess was called at 3:10 p.m. with the meeting reconvening at 3:19 p.m.

4. The 2012 Proposed Budget Review was held with questions answered. The October Board Meeting will be scheduled as the Budget Hearing with official notification to be made. The Board concurred that Auditor Nush could post the Proposed 2012 Budget to the Utility's web site.
5. The rate hearing presentation was reviewed with the Board.

The meeting recessed at 4:25 p.m. to be reconvened at 6:00 p.m.

The meeting was reconvened by President Aubertin at 6:05 p.m. at the Republic Elementary School cafeteria for the purpose of the Public Rate Hearing.

Those present were Commissioners Aubertin, Kroupa and Davis, Manager Friederichs, Auditor Nush and Treasurer Jurgensen.

Utility personnel in attendance were Joyce Dunn, Steve VanSlyke and Jacob Burbank.

The flag salute was lead by Commissioner Aubertin.

Visitors were: Steve and Oliver Graham and Gene and Roberta Weller.

Introductions were dispensed with.

Manager Friederichs presented the Utility's position based on the upcoming Bonneville Power Administration rate increase. It was explained that, based on the best information available the Utility would be increasing all rates 6%. Upon completion of the slide presentation questions were taken from the audience.

The meeting recessed at 6:45 p.m. to reconvene at 1:00 p.m. on Tuesday, September 20, 2011.

The meeting was reconvened at 1:06 p.m. by President Aubertin.

Present were Commissioners Aubertin, Kroupa and Davis, Manager Friederichs, Auditor Nush and Treasurer Jurgensen.

Visitors: Brenda Starkey.

The flag salute was lead by President Aubertin.

Public comments: None

Manager Friederichs presented the public rate hearing information for Mrs. Starkey's benefit as she could not be in attendance at the evening presentation.

Resolution 11-08 "A Resolution Establishing Retail Rates" was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.

Manager Friederichs will develop an appropriate news article regarding the rate increase for publication.

The Board briefly discussed the differences between the Utility and surrounding utilities.

Lobbying: None

With nothing further to come before the Board, the meeting adjourned at 1:53 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager