

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
September 21, 2009

The regular meeting of the Board of Commissioners was called to order by President Nathan Davis at 8:58 a.m. Present were Commissioners Nathan Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Attorney Steve Graham, Auditor Rory Miller, Secretary/Treasurer Jayne Jurgensen and Customer Service Representative Joyce Dunn.

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

Visitors: Leslie Jones, Deana Zakar, Randy Sage, Bobbi Weller and Jennine Groth.

The minutes of the previous meeting were clarified and approved by a motion duly made, seconded and carried.

The meeting was turned Mr. Sage who advised that he was speaking to the Board as a citizen rather than an employee and wished to speak to the proposed rate change. He addressed the age and condition of the Utility's infrastructure and the continuing need to maintain such to provide service to the wide spread customer base. Each Board member provided their respective thoughts on where the Utility should be, i.e., maintaining system reliability, paying down of the debt, making system improvements, rebuilding financial reserves, looking into the future rather than just the immediate, and as an RUS borrower, meeting their requirements for both system maintenance and availability of funds. Mr. Sage questioned the Board's trust in the Utility's Management Team. He went on to explain that, in his opinion, the Management Team had been working very hard to develop a rate structure to keep the Utility operating and, with a 10% rate increase the Utility would break even. In response to Mr. Sage's question regarding the Management Team, the Board expressed their support of the Management Team. Mr. Sage further questioned the Board's decision to determine the rate increase after obtaining public input at the scheduled rate hearing. He questioned whether the Board should wait until after the meeting to make a final decision or, to go into the meeting knowing what was necessary for the Utility and to educate the public on this need. He reminded the Board that the public doesn't have a thorough understanding of what is best for the Utility, that they are speaking only from their own personal perspective and, no one wants to see a rate increase. Mr. Sage again stressed the need to pass a 10% rate increase with 2.5% going to the Utility and the balance to cover the B.P.A. cost increase. Mr. Sage then spoke against the refunding of the B.P.A. monies. He advised the Board that there has been a steady decline in reserves for the past five years with the Utility's operations remaining constant, i.e., no work or purchase resulting in a large expenditure. The Utility is and has been purchasing used transformers and has begun using free, used meters from Okanogan County P.U.D. Some of the trucks now have between 150,000 and 400,000 miles of use and should be considered for replacement. The main power line between Republic and Curlew was built in 1953 and the wooden poles are nearing their life expectancy. He added that he has been delighted that the pole testing has shown only a 5% failure rate. The tree trimming budget was cut in 2009 by \$30,000 with work left uncompleted. The recent Customer Survey was briefly discussed. Mr. Sage stressed the overall positive response and encouraged the Board to maintain the Utility in order to maintain customer satisfaction. Mr. Sage thanked the Board for their time.

Leslie Jones with TRICO in Colville and Deana Zakar with TRICO of Republic provided the Board with an update on TRICO activities and plans. The ladies thanked the Board for their time and exited the meeting at 9:45 a.m.

A brief recess was taken at 9:45 a.m. with the meeting reconvening at 9:53 a.m.

The Board went into Executive Session as per RCW 42.30.100(1)(I), at 9:53 a.m. for twenty minutes for the purpose of discussing potential litigation. The Board returned to regular session at 10:13 a.m. in order to extend the Executive Session for an additional ten minutes. The Board returned to regular session at 10:25 and immediately recessed until 10:27 a.m. Mrs. Weller and Mrs. Groth returned to the meeting.

Reports:

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

1. Pole testing continues. The 345 Kv to Strassburg has been tested as has hundreds of poles throughout the system.
2. The crew has completed several line extensions and work orders for replacement of cross arms and bad poles.
3. An underground fault occurred in the Curlew Kai Division 3 area and the Cooke Mountain Trailer Park. Both areas have been corrected.
4. Transformers have been swapped at the Windsor substation. New high voltage signs have been installed at all substations and the fences and gravel have been brought up to RUS standards. These items were identified in an RUS inspection.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A new newspaper has been started in Republic. Initially it will be a monthly issue and the first edition featured articles written by Manager Friederichs and Mrs. Groth. A proposal to drop several advertisements from the News Miner and advertise in the new paper was presented. The Board concurred.
2. A letter has been received from B.P.A. advising that there will be no CRAC adjustments in 2010 unless an emergency should arise.
3. A request for sponsorship of the Washington Cattlemen's Association annual dinner has been received. The Utility sponsors the organization in the form of an annual membership. Therefore, no further sponsorship will be made.
4. An invitation has been received to the Inland NW Community Foundation informational meeting to be held October 14 at the Morris Merry go-round Building from 6:00 until 7:00 p.m.

Meetings:

1. Attended the Packwood Participants meeting in Olympia and found it to be very informative. The Utility had been advised that any generation received from Packwood would reduce the amount of power the Utility could receive from B.P.A. It was learned at this meeting, from B.P.A. representatives, that what the Utility receives falls within B.P.A.'s 1 megawatt of load following and therefore has a zero effect on the Utility's ability to buy Tier 1 from B.P.A. Selling our portion of the project to protect our highwater mark isn't necessary either. There is one other utility that also owns 1% and, so long as the total of the small utilities combined is less than 1-megawatt and doesn't exceed load following for any one utility it will not be tracked by B.P.A.
2. Attended the WPUA Manager's Meeting with information provided. The State Auditor's Office has advised the WPUA that the pay and per diem questions will not be pursued through 2010. They will work with the WPUA to develop legislation to clear any issues. The Department of Revenue's determination that tax credits received from B.P.A. are to be treated as revenue and, therefore are taxable will be pursued by the WPUA. Any meeting at which all Board members are present, i.e., the Revolving Loan meetings, is to be considered a Board meeting and advertised as such.
3. An invitation has been received from Nespelem Valley Co-op for their annual meeting which will be held on Friday, October 2 beginning at 5:00 p.m.
4. An application has been received for the Revolving Loan & Grant program. This meeting will be added to the October 19 Board Meeting Agenda.
5. The Energy Northwest Member Forum will be held October 22 and 23 in Richland. Commissioners Kroupa and Aubertin will attend. Commissioner Aubertin will replace Commissioner Kroupa on this Board.
6. The PPC Executive Board will meet October 1.
7. The WPUA Board of Directors will meet October 14 through 16 in Olympia.

General Business:

1. The service truck, which had to be unexpectedly replaced, is scheduled to be delivered this week. The old cab and chassis was sold at auction with the Utility to receive \$4,800.
2. The B.P.A. contract, with changes as discussed during previous meetings, has been received and is available for the Board to review. B.P.A. has asked that the document be signed and returned no later than October 30.
3. The advertisement for the Auditor position has yet to be completed but will be done.
4. Work Source funding has expired for the position currently held by Todd Orestad. Would like to keep Mr. Orestad in the position of Pole Tester/Groundman as he has proven to be a good employee and a benefit to the Utility. The Apprentice position will become available for bid in the spring when Jacob Burbank will top out as an Apprentice. Mr. Burbank will be able to take the final test under the Apprentice program in March. General Foreman Sage has indicated that he will be retiring in September of 2010. The 2010 Budget does include full year financing for a second Pole Tester/Groundman position. The Board was in concurrence with this plan.
5. The Customer Survey was briefly discussed. Overall, the results were very positive. The final results will be provided to all customers.

The Conservation report was presented by Manager Friederichs:

1. The winners of the remote controlled toy tractor and clothes washing machine raffled during the Ferry County Fair were Colt Katich and Justin Eslick respectively. A large number of CFL bulbs and water-saving showerheads were given away during the Fair.
2. A number of window rebates have been processed with a number yet to be completed. Ed Forsman is doing very well with the program.
3. Have learned of an organization in the Twisp area that is able to work with B.P.A. and utilities to complete weatherization on multi-family homes and mobile homes. It was recommended that the Utility contact the Housing Authority to obtain names of local housing owners who may qualify.

A brief recess was declared at 11:20 a.m. with the meeting reconvening at 11:29 a.m.

Attorney Graham presented the Attorney's Report:

1. Attorney Graham reported that he has researched the possibility of the Utility developing an energy assistance program. The survey results indicated that the majority of the consumers were not interested in such. The possibility of providing information to all customers regarding those local charities who help individuals with the energy bills was discussed. Secretary Jurgensen was asked to develop an informational letter to be provided to all customers with Attorney Graham to review prior to mailing.

Commissioners:

Commissioner Kroupa:

1. Attended no outside meetings.
2. Received an email questionnaire requesting full Board input on the process of replacing the Energy Northwest CEO. The Board completed the questionnaire with Manager Friederichs to email the response.

Auditor Miller exited the meeting at 11:34 a.m. returning at 11:48 a.m.

The meeting recessed at 12:02 p.m. for lunch reconvening at 1:03 p.m. Mrs. Weller and Mrs. Groth returned to the meeting.

Commissioner Kroupa questioned the recycling of CFL bulbs and whether the Utility, as it is promoting such, should provide an avenue for recycling. A discussion followed. Manager Friederichs advised that the County currently has no avenue to recycle any fluorescent lights and the same requirements for fluorescent tubes and CFL's apply. Both may be disposed of as household waste. WalMart in Colville and Home Depot in Omak were accepting bulbs for recycle. Manager Friederichs will research the matter.

Commissioner Aubertin:

1. Attended no outside meetings. Will be attending the October Energy Northwest meeting and will replace Commissioner Kroupa on this Board in the future.

Commissioner Davis:

1. Attended the WPUA Meeting in Olympia with information presented.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of September 10, 2009 were \$839,154.37 with restricted funds of \$1,682,974.64. There were fourteen outages in the month of September for a year-to-date total of one hundred compared to one hundred ten for the same period in 2008. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.

The Auditor's Report was presented by Rory Miller:

1. The voucher listing was reviewed and questions answered. Warrants Numbers 4786, 4821, 4831, 4867, 4980 and 4839 through 5026; direct payroll deposits numbers 9900584 through 9900612 and wire transfer numbers 82 through 85 in the total amount of \$412,070.67 were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Aubertin and unanimously carried.

The Board briefly discussed the upcoming public rate hearing. The Board meeting will reconvene, following the rate hearing, at 9:00 a.m. on Tuesday, September 22, 2009.

The meeting recessed at 2:05 p.m. until 7:00 p.m. Monday, September 21, 2009.

The recessed meeting was called to order at 7:04 p.m. by Board President Nathan Davis for the purpose of holding a Public Rate Hearing. Present were Commissioners Nathan Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen.

The flag salute was lead by Commissioner Davis.

Auditor Miller presented a very detailed analysis of the Utility's financial position and several rate scenarios and what the result of each would mean to the Utility. At the conclusion of his presentation comments were taken from the audience with questions answered. Twenty-one individuals, other than Utility personnel, were in attendance.

The Board was polled, by two individuals, at the termination of the discussion as to their decisions regarding paying down the RUS debt and what the rate increase would be. All responded that they had made no decision regarding the paying down of the debt and no final decision had been made regarding the amount of the rate increase but all were considering a maximum of 10%.

With no further comments or discussion, the meeting was recessed at 10:00 p.m.

The recessed meeting of Monday, September 21, 2009 was reconvened at 9:04 a.m. on Tuesday, September 22, 2009 by Board President Nathan Davis.

Present were Commissioners Nathan Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Attorney Steve Graham, Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen.

No visitors were in attendance.

The Board discussed the rate increase at great length.

The meeting recessed at 10:26 a.m. reconvening at 11:15 a.m. with Mr. and Mrs. Futch joining the meeting.

Resolution 09-04 "A Resolution to Establish Retail Rates" was presented. A motion was made by Commissioner Kroupa to adopt Resolution 09-04. The motion was seconded by Commissioner Aubertin and unanimously carried. Said resolution allows for a 10% total increase with 7.5% to cover additional B.P.A. charges and 2.5% to the Utility. The same increase shall be applied to all Rate Schedules including demand charges where applicable. The one exception to the across-the-board increase is the contract in place with Kinross for the mill operation. This contract specifies that the Utility may pass along the B.P.A. increase only to both kWh rates and demand charge.

Mrs. Futch questioned the Utility's use of a meter reader. It was explained that this system allows the Utility to obtain readings from the largest concentration of consumers in a relatively short period of time. The Utility relies on those consumers in the outlying areas to provide their readings each month. Mrs. Futch further questioned the charge associated with reconnecting a meter that has been disconnected. It was explained that the Utility assesses no fee when the meter is read and disconnected just at the time the reading is again verified and the service reconnected. This cost is to cover the bit of work associated with the specific reconnect rather than spread the cost across all customers.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 11:35 a.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager