

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

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

Visitors: Bob Sebris CWPU Attorney, Tom Hern and Nathan Davis P.U.D. Commissioner candidates.

All stood for the Flag Salute.

The minutes of the August meeting were clarified and corrected with a motion to approve made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.

The meeting was turned to Mr. Sebris who was welcomed and introduced to those present. Manager Weller explained that he has recently begun serving as the CWPU Attorney and has been busy visiting all of the member utilities. He provided an overview of his experience as an attorney and explained his roll as the CWPU Attorney. He represents all seven of the member districts and hopes to continue to foster the good relationship between IBEW Local 77. His job is a very difficult one in that he has to bring all utilities together even though some may prefer to work on their own.

Reports:

The Conservation Report was presented by John Friederichs who entered the Meeting at 9:40 a.m.

1. There is still no change in B.P.A.'s Post 2006 Conservation Program. A program has been drafted which includes Energy Star® manufactured homes and renewables as well as commercial lighting.
2. The Utility has received another disbursement from USDA/RUS in the amount of \$95,811.66 for the High Cost Energy Grant Program. This amount is calculated to cover the cost of projects planned through this construction season. There is approximately \$13,000 remaining with RUS yet to request. RUS has not opened the program for applications. Therefore, future funding is still an unknown.
3. There is the possibility that a candidate may qualify for the USDA Section 504 program for home repairs
4. Heat pumps may still qualify under the conservation program. The qualification requirements are quite restrictive in that only PTS is qualified to install and certify the units under their standards and there are only two PTS agents in eastern Washington, one in Spokane and one in Wenatchee.
5. Regular construction work continues on the Hospital Senior Citizen addition. The photovoltaic system cannot be installed until all construction work has been approved and finalized.
6. There is still no additional information regarding the wood waste to methanol project.
7. Have recently been provided with a contact name of an individual with the USDA-Forest Service who may be of help with the Fuels to Schools project. Due to the age of the boiler in the Curlew School, this would be the logical place for this project.
8. The 2<sup>nd</sup> Annual Telecom Summit has been cancelled with no future date set.

Commissioner Kroupa reported that he has been researching the telecommunications issue and has visited with Mr. Gus Nichols with the Republic TV Association. Based on the figure of \$2,200 per month for an adequate high-speed internet connection for the utility's new computer system, this amount, over a 30-year period, could possibly provide adequate matching funds to justify a loan application to complete the internet connection between Tonasket and Republic. The TV Association is working with Mr. Andrus who is in the process of installing another tower in the Tonasket area. The TV Association has plans in place to install one tower mid-point between Tonasket and Republic with this tower tying into Mr. Andrus' system which uses NOANET. . Commissioner Caudell questioned the history of the Telecommunications Committee and the Utility's representation. Mr. Friederichs explained that Commissioner Caudell was the Utility's representative to the original committee and that he sat in when necessary for Commissioner Caudell. The County Commissioners then formalized the committee allowing the Utility and the WSU Extension Office ex-officio seats on the committee. During this period Mr. Friederichs again represented the Utility in Commissioner Walsh's absence. Manager Weller began attending the meetings for informational purposes as they are open to the public. Manager Weller was directed to contact the County Commissioners to request they modify the committee to grant the Utility a voting position and that she begin attending the meetings as the Utility's representative. As evidenced by the number of emails from committee members through the past several weeks who were critical of the Utility's lack of involvement it is critical that the Utility be allowed to participate actively. Commissioner Kroupa stated that during his conversation with Mr. Nichols it was stressed that, working together, both the Utility and the TV Association could benefit from the venture. Commissioner Kroupa proposed that the Utility construct the backbone between Tonasket and Republic. Commissioner Caudell advised that there may not be grant funding available currently for such a venture and that the Utility should not move too fast.

Commissioner Caudell questioned the B.P.A. High Watermark process in relation to the conservation program. A discussion followed with all in agreement that more information is necessary on the subject. Mr. Friederichs was asked to develop a report for the Board detailing the conservation work completed by the Utility but outside the C&RD Program.

9. Support in the amount of \$1,000 has been received from Rural Resources for the purchase of conservation materials to be distributed during the low income interview program. The Board was in concurrence that the Utility would again provide \$1,000.

Mr. Friederichs was thanked for his time and he and Mr. Sebris exited the meeting at 10:40 a.m.

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

1. Has been working on the Steinbock versus Ferry County P.U.D. suit.

The Board went into a recommended Executive Session at 10:45 a.m. for approximately twenty minutes for the purpose of strategizing. The Board returned to regular session at 11:10 a.m.

Treasurer Jayne Jurgensen provided information on a recent power theft issue which was discovered and involves a customer living in Okanogan County. Attorney Graham advised that, based on the significant dollar value, the case would definitely be considered a felony. Manager Weller questioned whether the case should be reported as the amount owing has been paid by the customer. Attorney Graham advised that the case should still be reported and pursued. Commissioner Kroupa interjected that, in his visit to Kootenai Electric, he learned that they feel that a sizeable amount of funds were recovered **10/16/06 Commissioner Kroupa wished that the work recovered be changed to saved.** with the implementation of a TWACS system. Attorney Graham questioned whether the Board would permit him to contact the Ferry County Prosecuting Attorney to learn whether the case should be reported to the Ferry County Sheriff's Department and also prosecuted in Ferry County as that is the origin of the power. The Board was in concurrence that Attorney Graham determine the correct county in which to report the incident.

Manager Weller reported that the Prosecuting Attorney has been contracted regarding the amount to repaid the Utility in the theft of the chainsaws. He advised that the individuals involved confessed to the theft of two saws only which the Utility has received and twenty gallons of gasoline. A confession could not be obtained for the other saws, wooden sign or balance of the fuel taken. The amount to be repaid was the most that could be obtained.

Commissioner Caudell questioned whether safety precautions were being observed when equipment and materials were left in the field. Manager Weller advised that the crew has been made aware of the potential for theft and are taking adequate steps to prevent theft.

Attorney Graham was thanked for his report and he exited the meeting at 11:40 a.m.

Commissioners Reports:

Commissioner Kroupa:

1. Restated information pertaining to his conversation regarding the telecommunications project and as stated previously in these minutes.
2. Attended the B.P.A. Allocation Meeting. At this time, B.P.A. is providing a conceptual agreement to utilities that they would like to have signed. Not enough information at this time to make an informed decision. Commissioner Caudell reported that the WPUA took a position and tried to remain generic with support to PPC's support of B.P.A. and the moving forward of the Regional Dialogue proposal realizing that there are detailed to be worked through.

General Foreman Sage joined the meeting at 11:47 a.m. for the purpose of presenting the General Foreman's Report:

1. Have had several indiscriminate outages around Curlew Lake with the causes never identified. Will propose next year, at the beginning of the fire season, that the Lake Loop not be put on non-reclose. All of the feeders off of the loop will be put on non-reclose however. There was only one fire which was the result of a downed power line. This is the only utility in eastern Washington that changes its system during the fire season. The system has now been put back on normal operations.
2. The brush crew, pole testing crew / treatment crew has completed the scheduled treatment work as far south as Keller. They are now testing poles to the West and when this section is completed will begin working south to Nanamkin Creek and Keller.
3. Basin Tree Service will begin work on the District on October 9.
4. An agreement has been reached with the Tonasket Ranger District regarding the removal of those identified hazard trees. The Utility has been allowed a six month period, from the date of notification, to remove the material.
5. The work orders have been in all areas. Are currently working on a large plot on Summer Road north of Wauconda. There are three High Cost projects that should be completed by the end of the first week in October. These projects must be completed prior to the ground freezing to allow for plowing.

Manager Weller advised that the Utility has received an invitation to the Kinross groundbreaking ceremony for the new mine. Manager Weller and General Foreman Sage will attend for the Utility.

Manager Weller also reported that an important meeting pertaining to a conditional use permit for the mine will be held on September 25 at the Oroville High School beginning at 6:30 p.m.

General Foreman Sage was thanked for his report and he exited the meeting at 12:20 p.m. at which time the meeting recessed for lunch. The meeting reconvened at 1:30 p.m. with Commissioner Kathy Ciaia joining the meeting.

Commissioner Ciaia:

1. Nothing to report

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A letter has been received from the coordinators of the Wings Over Republic event thanking the Utility for

- its support.
2. An email has been received by Customer Service Representative Andrea Olson complimenting her on the Utility's website.
  3. An invitation to the Kinross Gold Buckhorn Mountain groundbreaking ceremony has been received. The event will be held on September 28, 2006 at 5:00 p.m. at the mine site. Manager Weller and General Foreman Sage will attend the event.
  4. An invitation has been received from Nespelem Valley Electric Cooperative to their annual membership dinner. This event will be held on October 6 with the dinner beginning at 5:00 p.m. Commissioner Kroupa and Manager Weller will attend.
  5. A letter has been received from Bonneville Power Administration regarding the settlement of outstanding slice product litigation. Additional information is available on their website.
  6. The Northwest Power and Conservation Council is seeking public comments on the draft fish and wildlife project. Information is available on their website with comments due by October 6, 2006.
  7. The meeting to be held in Oroville on September 25 regarding the hearing for the conditional use permit for the Buckhorn Mine was again read.
  8. A copy of a letter to Ferry County Commissioner Mike Blankenship regarding automobile accidents involving power poles was read. The author is proposing that wooden poles be placed further away from highways or lines be placed underground.

#### Meetings:

1. The Annual Energy Northwest Member Forum will be attended by Commissioners Kroupa and Caudell.
2. Commissioner Kroupa will be attending the upcoming PPC and NRU meetings in Portland.
3. Commissioner Kroupa will be attending the October Energy Northwest meeting. The boarding pass for the flight to Portland will be printed by the Utility.
4. Auditor Groth will be attending two NWPPA financial workshops held in Seattle on October 18 and 19. These are part of the Accounting Certification program.
5. October 1 through 7 will be Public Power Week. News articles will appear in the local newspaper and cookies and refreshments will be available in the foyer. Public Power T-shirts have been ordered so that all employees will be able to dress alike during the week.

#### General Business:

1. The Board was asked to review the website information and update their biographies.
2. A revision to Exhibit B of the Bonneville Power Administration Power Sales Contract has been received. This revision refers to the conservation portion of the contract. The C&RD discount credit rate will become effective October 1, 2006.
3. The vehicle fuel summary was presented and briefly discussed. Some of the suppliers are now charging fuel surcharges for their services. The County Contract for fuel is now with Pine Grove Junction.
4. A summary of the cost of new construction was presented and reviewed.
5. Attended the WPUDA Manager's Section Meeting at Franklin P.U.D. It was learned that a company in Moses Lake will be giving the new WPUDA building in Olympia the solar materials for the roof which will result in a calculated 40% savings. Mr. Mike Nelson presented information on solar energy tax credits and projects. Discussed the WPUDA position on the Regional Dialogue. Benton P.U.D. is bench marking and has developed a cost-savings plan and has invited other utilities to read its materials. Legislative issues were discussed. Some utilities are now charging new customers for new line extensions. The new BARS accounting procedure will require the Utility to maintain two sets of books as we must continue to use the RUS accounting process. An Energy Services Director position has been created and may increase the budget approximately 5%.
6. Attended the B.P.A. Allocation Conference and it is questionable whether a solid plan is in place. Utilities will be asked to sign a contract in 2008 and then learn what the terms of that contract are in 2010. Mr. Ken Hustad has stated that he is willing to visit with the Board to help answer questions. The requirement of declaring the Utility's power needs may prove very difficult.
7. Power Engineers met with Steve VanSlyke, Curt Brenner and Kinross personnel earlier in the week to discuss the Kinross project. Notes from this meeting were provided to the Board. At this time, the new load will be 1.5 megawatts. The mines have all been classified as industrial customers with the mill site having a contract for the power consumption.
8. Have been discussing the new computer system with PCS. Company representatives will visit the Utility beginning October 2 to begin the first stage of their discovery for the billing portion. They will return on October 23 to begin the discovery for the financial portion. The financial portion of the system will be implemented first. No dates have been established for the installation. Work is progressing on the high speed Internet needed for the new computer system. One possible alternative to the high speed connection would be to house the new system in-house.
9. Met with Power Engineers and Mr. Dan Bowers with RUS regarding the long-range plan reporting. Mr. Bowers will be providing a detailed written explanation of the RUS needs. He provided suggestions on how the Utility can make the bottom line look better.
10. A photograph of the office as it was decorated for the Fair was presented. The Utility's booth at the Fair was awarded a second place ribbon. It is becoming more difficult to find employees to work in the booth. People were very interested in the solar car constructed by the Republic High School class.
11. Resolution 06-10 "A Resolution Authorizing USDA RDUP Form 674" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Kroupa and unanimously carried.

Photographs of the Board presenting a 5-year length of service award to Sheila Rittel and presenting a Certificate of Recognition to Marilee Schertenleib were taken.

Commissioner Caudell:

1. The Christmas tree for the Nation's Capital will come from the Olympic National Forest. The tree will travel through the State and will be passing through Republic. Utilities have been given an opportunity to help defray the \$115,000 cost by purchasing a sign at a cost of \$1,000. The WPUDA is supporting the effort with a \$1,000 donation. The Board concurred that the Utility would not donate to this effort.
2. The Board, Manager and Staff were asked to compile a listing of who they know politically for future issues management.

Photographs of the Board presenting the DEED Award to Conservation Director John Friederichs were taken.

3. Dean Boyer is the new WPUDA Communications Director.
4. Dan Peterson, a Commissioner from Pend Oreille County P.U.D. has testified on the cost of dam security increases.
5. Steve Johnson, *WPUDA Executive Director*, and Jack Janda, *WPUDA President*, caucused with legislators regarding the public exchange issue.
6. Jack Janda will be traveling to Europe to view new nuclear facilities *for Energy Northwest*.
7. The B.P.A. customer survey was very favorable. The power function review found \$120-million in annual cuts that could be made.
8. The new WPUDA building in Olympia is now two-thirds of the way to a platinum certification.
9. The WPUDA is looking for a new staff person to serve as an energy expert.
10. Cowlitz P.U.D. recently hired a COO Operating Officer to allow their manager to be more politically *engaged*.
11. Is serving on the Budget Committee for the WPUDA.
12. Initiative 937 mandates that all large, 25-megawatt utilities, have 4% of their portfolios as renewables.
13. A new P.U.D. on Vashon Island will come before the voters this fall. *This was clarified to state that all large utilities with 25,000 customers or more, must have 4% of their portfolios come from renewables.*
14. A current issue of Scientific American Magazine has very informative information *regarding future energy issues* and fellow Board members were encouraged to read the issue.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of September 10, 2006 were \$1,611,542.76 with restricted funds of \$1,573,451.78. There were eighteen outages in the month of August for a year-to-date total of one hundred twelve compared to sixty-one 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. Inventory of Work Orders Number 342.I through 342.X for August 2006 in the amount of \$47,542.42 were approved by a motion duly made, seconded and carried.

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 23769 through 23872 in the amount of \$217,942.87 and Payroll Warrants Numbers 009073 through 009091 in the amount of \$46,948.99 and Numbers 009092 through 009115 in the amount of \$50,317.71 by motion made by Commissioner Caudell, seconded by Commissioner Kroupa and unanimously carried.
2. The date for a budget workshop was discussed with October 9 selected.
3. The Financial and Statistical Report was reviewed by the Board.
4. The D. Hittle report was presented. Effective October 1 the CRAC charges will be rolled into the new base rate which will be ~~5%~~ 1.3% less than currently charged. As the base rate and CRAC will now be combined, after October 1 our monthly billings will no longer reflect a separate line for CRAC charges.

Lobbying: None

recessed

With no further business to come before the Board, the meeting ~~adjourned~~ recessed at 4:40 p.m.

The meeting was reconvened at 9:00 a.m. on October 9, 2006 in the P.U.D. Basement Meeting Room. Those present were Commissioners Kroupa, Caudell, Commissioner Candidate Tom Hern, Manager Roberta Weller, Auditor Jennine Groth. Commissioner Ciaia

joined the meeting at 9:50 a.m. Auditor Groth started the Budget Review with those present. Questions and comments were taken for each page of the budget that was reviewed. The review ended at 11:55 a.m.

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

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Vice-President

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager