

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
October 16, 2006

The regular meeting of the Board of Commissioners was called to order by President Kathy Ciaias at 9:07 a.m. Present were Commissioners Kathy Ciaias, Gregg Caudell and Chris Kroupa, Manager Roberta Weller, Attorney Steve Graham, General Foreman Randy Sage, Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen.

Visitors: Nathan Davis and Messrs. Steve Johnson and Dean Boyer, both with WPUDA joining the meeting at 12:25 p.m.

All stood for the Flag Salute.

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

Reports:

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of October 10, 2006 were \$1,597,414.93 with restricted funds of \$1,430,329.65. There were twelve outages in the month of September for a year-to-date total of one hundred twenty-four compared to seventy-six for the same period in 2005. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. Inventory of Work Orders Number 343.I through 343.X for September 2006 in the amount of \$38,263.31 were approved by a motion duly made, seconded and carried.
3. Resolution Number 06-11 "A Resolution to Cancel Unclaimed Warrants" was presented and unanimously approved by a motion made by Commissioner Kroupa and seconded by Commissioner Caudell.

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 23873 through 23979 in the amount of \$148,129.02 and Payroll Warrants Numbers 009116 through 009135 in the amount of \$45,811.20 and Numbers 009136 through 009158 in the amount of \$45,260.04 by motion made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. The D. Hittle report was presented.
4. The Washington State Auditor's Report was presented and will be reviewed at the November Board meeting.
5. A review of the proposed 2007 Budget was held. Commissioner Caudell requested that the 2008 Budget be presented in a balanced format in the areas of revenue and expenses. This will enable the Board to approve it more easily and they can also determine how much will be reduced from expenses or whether a rate increase would be necessary. The Manager's comments will be emailed to the Board prior to inclusion in the 2007 Budget.
6. The mileage reimbursement rate for the use of private vehicles is now .445 per mile which is a decrease.

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

1. Basin Tree Service returned to the District on October 2 and is currently working on the line from Republic to Lost Lake removing dead trees on both Forest Service and private land. This area is now in compliance with the Okanogan National Forest requirements for danger trees. Attended a POD meeting in Okanogan and learned that the Tonasket Ranger District is the only District that performs a tree survey and indicates those trees that they want to have removed. The contractor will also be working in a variety of areas in the ten days they have remaining.
2. Pole testing is continuing with Bernie Odegard working in the Wauconda, Mt. Anne, Lost Lake, Summer Road areas until the weather changes. After the snow, he will move to the 30-Mile area. Eddie Forsman is not able to be at work due to a recent surgery.
3. The crew has been working on a variety of projects, including maintenance and some line extensions.
4. The scheduled High Cost Energy projects will begin later in the month. These lines must be plowed in before the ground freezes.
5. The Okanogan Electric Cooperative has initiated their TWACS program and have approximately 100 meters in place. They are pleased with the system. The Co-op has approximately the same number of customers as Ferry.
6. Represented the Utility at the Community Advisory Board meeting held at the Eagle Cliff Grange. This was the first meeting held with the consultant working on the "Good Neighbor Policy" and it went very well. There were no negative responses made regarding the mine site, the Marias Creek Road or the Toroda Creek Road. The Utility will serve the Beal Borrow Pit which will be a 1-megawatt load for the crushing and screening plant. The line extension is now being planned for this

load. Will continue to serve as the Utility's representative at future meetings. Commissioner Caudell questioned whether the load would be included in the District's High Water Mark with a discussion following. Based on current plans, the mine should be in full operation by the 3rd quarter of 2007 and the load will be well established by 2008.

Manager Weller brought an easement issue before the Board. General Foreman Sage explained that a customer in the Wauconda area has advised the Utility that it must contact them prior to accessing their property for any reason. Mr. Sage contacted the customer as it is now necessary to test poles and perform tree removal work on the property. An audio tape of the message left for Mr. Sage on the telephone was played. The message advised the Utility that it could not access the property at this time. Manager Weller stated that, in a later telephone conversation with the customer, the customer stated that the Utility did not have an easement for the property. The Utility does have an Easement for the property and it was signed by one of the customers prior to the current marriage/relationship. Based on this current issue as well as previous conversations with the customer, the crew has been advised that they should not contact the residents or go to the area if there is a problem. The customers would be out of service until they contacted the Utility and requested service. The Board was in concurrence that a letter be written to the customers informing them of the Utility's position due to their actions and that the Utility cannot guarantee service should their service be interrupted. Copies of the Easement will also be provided. Manager Weller will draft a letter of response for Attorney Graham's review and the letter will be sent via certified mail.

The meeting briefly recessed at 11:28 a.m. reconvening at 11:33 a.m.

Manager Weller presented a billing matter regarding the Keller Medical Clinic. It has been found that, at the time the service for the Clinic was connected for service, the Connect Order was not completed properly by the individual connecting the service, and the account has not been billed correctly since August of 2003. This problem was identified in August of this year and will result in an additional charge of \$23,813. A process has been put into place to guard against this type of error happening in the future. Manager Weller will write a letter explaining the error and give the Clinic the option of making payment arrangements.

Commissioner Caudell questioned the status of the line crew as to any current issues. General Foreman Sage reported that all is going well and that there are now good communications established. The need to wear safety gear as appropriate, the monthly safety meetings, the avenue used to report union issues, the Board's involvement in issues, the General Foreman's unique position, the continuation of good communications and past and future District labor/management matters were discussed.

Steve Johnson, WPUDA Executive Director and Dean Boyer WPUDA Communications Director joined the meeting at 12:25 at which time the meeting recessed for lunch. The meeting reconvened at 1:42 p.m. with General Foreman not returning.

The meeting was turned to Mr. Johnson. He explained that there were two reasons for his trip, these being to introduce WPUDA's new Communications Director, Dean Boyer and to share information regarding Commissioner Caudell's upcoming WPUDA Presidency. The Presidency may be an adverse impact on the Utility due to his absence. Plans are underway to hold a WPUDA meeting at Ferry P.U.D. in September for both Managers and Commissioners. In the past, the President's utility was responsible for all expenses now, WPUDA pays all expenses with the exception of per diem. Reimbursement for travel may be processed through the Utility or submitted directly to the WPUDA. A new item on the WPUDA budget is the new position for an Energy Services Director which will be an asset to the organization. Mr. Johnson was given an opportunity to review the Utility's proposed 2007 budget in order to learn how many associations the Utility is affiliated with. Commissioner Caudell expressed concern regarding the financial impact these memberships cause the Utility as the membership fees continue to increase. He further added that the energy position may be redundant for our Utility as we utilize NRU's John Saven. Mr. Johnson responded that Mr. Saven is very effective and has a good track record. He is working hard at improving the communications between NRU and the WPUDA. Commissioner Caudell questioned whether his Ferry County chair in the WPUDA could be filled by another Ferry County P.U.D. Commissioner during the time that he is serving as President. Mr. Johnson assured him that another Commissioner could represent the Utility. The new WPUDA building in Olympia is underway. The most expensive component, this being the 35-kW solar system, has been donated by REC of Moses Lake, WA. The contract calls for a May 1, 2007 completion date but a more realistic date of September 1, 2007 is expected. Initiative 937 would require Washington State utilities with 25,000 customers or more to have renewables in their portfolios. The portfolio would be based on load not load growth that allowed for a mixture of conservation and renewables. The WPUDA was allowed to develop a modified initiative if it would be supportive of the initiative. The modified proposal allows for a 4% total cost cap and greatly modified the jurisdiction of the State agency that would be responsible for overseeing the process. Messrs. Johnson and Boyer were thanked for their time and they exited the meeting at 2:17 p.m.

Conservation Director John Friederichs joined the meeting at 2:22 p.m. for the purpose of presenting the Conservation Report.

1. The Post 2006 B.P.A. Conservation Program is now in place. Will be learning more about the possibilities of the program at a meeting later in the week.

2. The High Energy Cost Grant Program continues to move forward. A candidate for the USDA Section 504 program may have been found. The individual is now working directly with the USDA. Another solar site has been identified and we are waiting for the individuals to make their decision on the program.
 3. The Hospital photovoltaic project has yet to be completed. The new assisted living facility has not yet to receive the final inspection. An electrician is now needed to complete the work.
 4. The wood waste-to-Methanol project is pending final funding determination.
 5. The Fuels for School program is moving very slowly.
 6. The solar car, which was fabricated by students at the Republic School, is assembled and ready to go. There is the possibility that it could be used as a display at the Annual WPUDA Conference.
 7. There is now an authorized heat pump installation company in Wilbur. There are still issues with the requirements.
 8. The next Telecom meeting is scheduled for October 17 at noon at Eich's Mercantile.
- Mr. Friederichs was thanked for his report and he exited the meeting at 2:45 p.m.

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

1. A document providing Attorney Graham's opinion regarding the need for herbicide applicator permits was presented and briefly discussed.
2. Questioned the next Revolving Loan meeting. Manager Weller advised that one additional applicant package has yet to be received. When all information is available a meeting will be scheduled.
3. A formal demand has been sent to the Steinbock's requesting that they come forward with any evidence that they may have in regard to their lawsuit against the Utility. They have also been asked to answer additional questions. Their response is expected within the next few weeks.
4. Has yet to know whether the power theft which occurred in Okanogan County can be reported in Ferry County and investigated by Ferry County Sheriff's personnel.
5. Proposed that the Board go into Executive Session to strategize for the upcoming WISHA case.

The Board went into Executive Session at 2:53 p.m. for approximately twenty minutes for the purpose of strategizing for the upcoming WISHA case. The Board returned to regular session at 3:40 with Commissioner Cia's and Attorney Graham exiting the meeting at this time. The Board was in concurrence that Attorney Graham should continue with the pursuit of a settlement for the WISHA report.

Commissioners Reports:

Commissioner Caudell: No report.

Commissioner Kroupa:

1. Attended the Energy NW Forum.

Commissioner Cia's had, previously during the meeting, provided copies of proposed County road modifications which were briefly reviewed and discussed.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A Notice of Board of Industrial Insurance Appeals hearing notification has been received for November 8. Another notification has also been received scheduling the hearing to November 14 if additional time is required. Both notifications have been posted for employee information.
2. The Washington State Auditors Report was briefly discussed.
3. A note from a Utility customer to the Commissioners questioning why customers are still paying CRAC charges was read.
4. A letter has been received from the Republic City Council regarding snow removal on Clark Avenue. The issue will be discussed at the October 16 City Council meeting. Manager Weller will attend.
5. A advertisement for an AED "Start the Heart" machine has been received. Pricing will be obtained to determine whether it would be feasible to purchase for the Utility. It was recommended that the Utility purchase a unit for the building and trucks.
6. The notification of membership for the Washington State Cattlemen's Association has been received. The annual membership fee is \$50.
7. The name of Senior, Cody Groth was submitted for the WPUDA Walkley Educational Scholarship.
8. A thank you was received from the Arts Council of Ferry County for support of the Curlew School Mural Project.
9. Notification has been received from PPC requesting nominations for the 2007 - 2008 Executive Committee. After a brief discussion, the Utility will make no nomination.
10. A letter has been received from B.P.A. explaining that the comment period for the Long Term Regional Dialogue Policy has been extended until October 31.

Meetings:

1. The Annual WPUDA Meeting notice has been received. The meeting will be held December 6 through 8 at the Seattle Marriott SeaTac Airport Hotel. Utility Commissioners and Manager will attend. The Board again was in agreement that the option be extended to the new Utility Commissioner that he could attend the meeting with the Utility paying his registration fee and all

other expenses paid by the individual. The Board was in agreement that the Utility should again put together a display for the Annual Meeting.

General Business:

1. A current "Cost of Construction" sheet was provided and briefly reviewed.
2. The first "Discovery" meeting for the new computer system began on October 9. This was a very thorough four day discussion of the billing process. The next meeting has been scheduled to begin on October 23 and will cover the financial portion. Some of the employees have been using the current computer system since 1986. The new system will require a shift in some job responsibilities within the office. The actual conversion will not begin until after the end of our accounting year and should be up and running in the spring. Nothing has been scheduled at this time and the actual conversion should go more smoothly if Tim Beckner is able to provide the computer company with the files that will be needed. Final costs of the new system will be provided after the final discovery process is completed. The anticipated cost for the discovery portion of the work is \$20,000.
3. An agreement has been entered into with Verizon for a T-1 internet line. The possibility of satellite back-up is still being researched.
4. A Memorandum of Agreement is being developed for the County, Homeland Security and the Utility for the Franson Peak radio site. The Department of Transportation has also expressed an interest in moving to the site. The Utility is the owner of the building and there is adequate room for other entities. The fee for the space in the building is being negotiated. There is the possibility that the DOT would not be charged as they are not charging the Utility for its space at the Jones Bay site.
5. The Board was provided additional information regarding Chelan County P.U.D.'s withdrawal from CWPU several years ago. Their primary reason was their ability to obtain better pricing on health insurance.
6. Received a telephone call from Steve Wright with B.P.A. inviting Manager Weller to attend a B.P.A. meeting with the Corps of Engineers to help explain B.P.A.'s concerns regarding a specific issue. Wasn't able to attend the meeting.
7. An email was received from Tom Carrier requesting Manager Weller write another letter of endorsement for him as he is up for reappointment. The email will be forwarded to the Board for their comments.
8. The 2007 pocket calendars have arrived and are available for Board distribution.

Commissioner Caudell questioned whether the November Board meeting had been rescheduled due to the Legislative Meeting in Colville on November 20. The Board Meeting has been rescheduled. Commissioner Caudell stated that he would also like to attend the Solar Conference in Wenatchee on November 6, 7 and 8. Conservation Director Friederichs will also attend.

Lobbying: None

With no further business to come before the Board, the meeting adjourned at 4:45 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager