

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF BOARD OF COMMISSIONERS
October 21, 2013

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:01 a.m. Present were Commissioners Chris Kroupa, Doug Aubertin and Dan Fagerlie; Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke and acting secretary Joyce Dunn. Attorney Steve Graham joined the meeting at 9:08 a.m.

All stood for the flag salute which was led by Commissioner Fagerlie.

There were no visitors.

The minutes of the September 16, 2013 meeting were discussed and corrections were made. With no further corrections to the minutes a motion to accept the minutes as corrected was made by Commissioner Aubertin. The motion was seconded by Commissioner Fagerlie and unanimously carried.

The Engineer/Superintendent Report was presented by Steve VanSlyke:

1. The system wide meter audit report was given. The crew has found broken meters, some tampering issues and read inconsistencies. The project is not going as fast as hoped. The crew will take a break from the project 10/21&10/22 to finish FEMA work left from the storm in the Ten Mile area. Discussion took place regarding the cost effectiveness of doing the meter audit on an annual basis and if the costs could be justified. It was explained that this is the first time the audit has been done since converting to a new software system and part of the audit is to check the conversion in mapping to ensure information was transferred correctly. The engineer suggested that future audits might be done in thirds and only do a portion every year. The board requested a follow-up report after completion of the audit, including work that had to be postponed because of the audit.
2. Engineer VanSlyke reported on planned work at the substations, including oil testing and thermal scanning. He reported that they have held off on bigger substation purchases and instead have done preventative maintenance. A discussion took place regarding the spare substation transformers that were in stock. He explained that there was one spare transformer for each size of transformers currently in each substation. Tests show that the Strausburg substation show signs of thermal aging and that they are keeping an eye on those transformers. Some have been slated for replacement in the future as the budget allows. Commissioner Kroupa asked if they can be rewound and refurbished and discussed cost effectiveness. He also commented that our pole testing program was a good illustration of how preventative measures can have a positive saving for the utility.

Having no further business to report, Mr. VanSlyke left the meeting at 9:30 AM.

Bids for surplus equipment advertised for sale were opened. High winning bidders were:
Bids for surplus equipment advertised for sale were opened as follows:

1998 Ford F150 4x4 Supercab Pickup, V8

Greg Sheffield - \$1850
Joseph Byam - \$2,257 *
Gerald Fagerlie - \$1,676.01
Dennis Thompson - \$1,503.25
Lilac City Auto -Greg Wisener - \$2,166
Tom Reinland - \$1,475
Shaun Bacon, \$1,535
Ben Freiderichs - \$1,502.99
Donald Clark Friend - \$2,100

1999 Ford Explorer 4x4

Mary Masingale - \$1,351
Gerald Fagerlie - \$1,676.01- *
Dennis Thompson - \$1,003.25
Mace Gilliford - \$1,459.95
Lilac City Auto -Greg Wisener - \$ 1,256
Tom Reinland - \$1,125
John Gilliford - \$1,359.95

2004 Dodge 4x4 Quad Cab 3500 -Diesel

KC Harmon - \$5,501

Gerald Fagerlie - \$6,276.01 -*

Dennis Thompson - \$5,103.25

Cliff McKillip - \$6,251.00

Tom Reinland - \$5,745

Donald Clark Friend - \$5,001.00

The high bidders were: F150 1998 - Joseph Byam - \$2,257; 1999 Ford Explorer - Gerald Fagerlie - \$1,676.01; and 2004 Dodge Diesel - Gerald Fagerlie - \$6,276.01

Dan Fagerlie questioned Attorney Graham if he should abstain from voting, as his cousin won two of the bids. Mr. Graham felt there was no conflict.

Doug Aubertin moved to accept the bids and winners as listed. The motion was seconded by Dan Fagerlie and unanimously carried.

Winners will be notified by Manager Friederichs.

Attorney Graham advised that there was no need for an Executive Session.

The Attorney's Report was presented by Attorney Graham:

1. A letter has been written to the Board regarding the subject of how minutes should be taken.

Attorney Graham reviewed the letter he sent to the Board of Commissioners, regarding changes he felt would be helpful in the process of compiling and publishing the minutes of the monthly board meetings. He explained that although our process is obsolete, that there is wide latitude with regards to the law on how minutes should be recorded and presented. He understands how Commissioner Fagerlie and most new commissioners get information from other utilities on their methods, but according to the law there isn't an exact right way. He did, however, understand Commissioner Fagerlie's concerns regarding the method used in making changes to the minutes and the need to protect the secretary to the board's from resulting public challenges. Mr. Graham also expressed concern related to the publishing of "unofficial" minutes on the website. Attorney Graham stated that for the best protection to the utility that the secretary should compile draft minutes and include them in the board packet. Discussion followed regarding on the best method for incorporating Mr. Graham's recommendations.

The board determined that the board will receive a draft copy of the minutes in their board packet; at the meeting they will recommend changes and corrections. The secretary will then make the changes, print out official minutes on the numbered pages in the minutes book before the board signs the official minutes.

A motion was made by Commissioner Fagerlie that beginning with the October 2013 minutes, the board will sign the official minutes after they are approved and printed for Commissioner's signatures during the meeting. A second was made by Commissioner Aubertin. The motion carried unanimously.

2. The Secretary's Summary of meeting will be published on the website as soon as possible after the meeting. At Attorney Graham's recommendation, they will no longer be called "unofficial minutes" but rather something similar to "meeting summary."
3. Attorney Graham asked if there was any feedback to his comments regarding Mr. Sandona's mis-handling of the assault charges against a contracted tree trimmer. It was reported that there was very little feedback.

A recess was called at 10:18 a.m. and reconvened at 10:31 a.m.

The Manager's Report was presented by Manager John Friederichs.

Correspondence:

1. Letter from Law Office of Steve Graham to the Board that was previously discussed was presented.
2. Ken Hustad, Bonneville Power Administration, asked that the board review the "Summary of Wildlife Mitigation" brochure published by BPA. The brochure was reviewed by the board. Commissioner Kroupa reported on experiencing first hand an improvement in the salmon run.

Notice of meetings: -

1. Manager Friederichs advised he missed the Nespelem Valley Electric annual meeting on October 4, 2013.
2. On Thursday, October 24 & 25, 2013, Commissioners Kroupa and Fagerlie will be traveling to Kennewick for the Northwest Energy Member Forum.
3. John Friederichs, Steve VanSlyke and Sue Nush will travel to Okanogan on October 22, 2013, for an Emergency Management Meeting.
4. The WPUA Manager's meeting will take place in Leavenworth on October 30 and 31, 2013. Manager Friederichs will attend this meeting.
5. Commissioner Fagerlie will attend the TEDD meeting in Colville on October 23rd.
6. Commissioner Kroupa will attend the NRU/PPC meeting in Portland, Oregon, November 5-7, 2013.
7. Deputy Auditor Kuehne will attend a CWPUD trustee's meeting at the Douglas County PUD on October 20, 2013.
8. The Annual WPUA meeting will take place December 4-6, 2013 in Airway Heights.
9. Manager Friederichs and Auditor Nush will attend a negotiation's meeting in Douglas County on October 21, 2013. Steve Graham advised that presentation to the board related to union negotiations should be done in executive session.
10. Manager Friederichs's reminded the commissioners of the Legislative Luncheon in Colville on November 12th.

General Business of the Utility:

1. Manager Friederichs reported that the low density discount with Bonneville Power Administration has been approved using last years figures, so there will be no upcoming changes.
2. Energy Northwest talked to Manager Friederichs to determine if there might be interest in participating in a demand response initiative. This would involve the development of a system for storing a half megawatt energy to draw from for peak loads. This would even out our loads. Mr. Friederichs explained that a half megawatt would make an impact on a small utility like ours, so the project could be beneficial to our utility. For this reason, he expressed interest on behalf of Ferry County and we are officially on their list of interested participants.
3. Conservation funding from BPA was announced for fiscal 2014/15 at a total of \$186,000 or \$93,000 for FY14 and FY15. The funds will be available again for windows, insulation and heat pump upgrades. Commissioner Kroupa advised that the Curlew Civic Hall was inquiring about this program and stated he referred them to the Ed Foreman, Conservation Director. Discussion took place related to how this program operates.
4. Resolution #13-06, giving limited authority for the District Manager to approve standard engineering permits for BIA, US Forest Service, or State right-of-ways and easements, was reviewed. Manager Friederichs read the resolution and explained the intent of the resolution. Discussion took place. Commissioner Kroupa asked Attorney Graham if the resolution seemed reasonable and legal. He responded that it would seem to make engineering projects more efficient and expedite permitting. Since there are no funds involved he sees no problem. Commissioner Kroupa also clarified that this resolution would be for easement type permits only and that new line extensions would still come before the board. Manager Friederichs responded that was correct. The purpose of this resolution is to keep engineering from having to wait for a board meeting to proceed with projects.

Commissioner Aubertin moved to approve Resolution #13-06 as presented. Commissioner Fagerlie seconded the motion. The motion carried unanimously.

5. The Work Order Inventory completed by Power Engineering was given to the board for their approval and signature. Commissioner Kroupa signed and dated this document.

Commissioner Reports:

Commissioner Aubertin:

1. Reported he had a personal conflict with his attendance at the Energy Northwest Member Forum. He does plan to attend the Energy Northwest Meeting.

Commissioner Kroupa:

1. Attended no outside meetings

Commissioner Fagerlie:

1. Commissioner Fagerlie attended the WPUA meeting. He reported on issues discussed and upcoming concerns. In particular he gave information on a proposed legislation concerning 3rd party non-utility customers installing solar systems on property belonging to rate payers. WPUA is discouraging third party ownership. Discussion took place.

He also discussed the issue of distributed power generation and a presentation entitled Disruptive Technology or Opportunity. Discussion followed related to in-state incentives going to out of state companies and the affect on smaller utilities.

2. Commissioner Fagerlie also attended a meeting of the Columbia River Treaty Forum discussing the Columbia River Treaty 2014-2024 Review report. Discussion followed.
3. There was a roundtable discussion on the Affordable Health Care Act and how a 40% surtax could be assessed.. Discussion took place regarding how this could affect the utility financially.

Commissioner Kroupa thanked Commissioner Fagerlie for his participation in these meetings and for paying close attention to these important issues.

Presentation of Treasurers report:

Commissioner Kroupa questioned how the Treasurer's Report should presented in her absence. It was determined that the commissioners would review the entire report. Questions regarding the report were directed to Auditor Nush. Operating funds as of October 10, 2013 were \$2,402,797.00 with restricted funds of \$1,241,648.08. There were fifteen outages in the month of September for a year-to-date total of one hundred thirty-one compared to one hundred forty-nine in 2012. The Revolving Loan/Grant Fund and High Cost Loan repayment reports were reviewed.

The board took a five minute break at 11:15 a.m and reconvened at 11:20 a.m.

The auditor's report was presented by Auditor Sue Nush.

Discussion took place regarding the cost of the state auditors. The accountability portion of the audit has been completed and the Auditors will return to complete the financial portion in November.

An explanation of payment to AVISTA for \$1,000 was for the new apprentice training program.

Discussion took place regarding the new structure of the apprentice program.

The meeting recessed at 12:03 p.m. for lunch and reconvened at 1:10 p.m. Attorney Graham will not return in the afternoon.

The Auditor's Report continued with the 2014 preliminary budget review -

The preliminary 2014 was presented and reviewed in a power point presentation by Auditor Nush. Each board member had a packet for their own review.

Mrs. Nush outlined the time-line for the budget hearing process as follows:

Work Shop - 9/16

Staff Review through 9/30

Posted to Web - 10/1

Publish Notice of Hearing - 10/2

Budget Hearing - 10/21

Board Discussion/Approval - 11/18

Board Discussion/Approval 12/16

The public hearing for proposed rate changes will take place on Monday, October 28th with the board meeting reconvening on Tuesday, October 29th at 1:00 pm.

Nathan Davis joined the meeting at 1:27 p.m. as a guest wishing to present information on behalf of William Scott, a PUD revolving loan customer. Commissioner Kroupa gave permission for him to speak and asked that the Auditor's Report be completed after his presentation. Mr. Davis explained that he had been working with Mr. Scott to assist him with the marketing part of his water turbine generator manufacturing business. They have taken out advertisements on both Ebay and Google and are very encouraged at the increased interest generated by better online visibility. They are listed internationally and their searches have been modified to come up by the second page search listings for water turbine generators. Mr. Davis presented spreadsheets showing the number of unique visits to their website and the durations of time spent at their site. As a result of this improved marketing strategy, sales and serious inquiries are greatly improving. Discussion followed. Commissioner Aubertin requested that the board be given information on an accurate cost flow analysis to determine what each unit is costing Mr. Scott to produce. The board thanked Mr. Davis for his presentation. Mr. Davis exited the meeting at 1:57 p.m.

Auditor's Report continued:

The Voucher/Warrant Approval was presented to the board for their review with questions being answered by Auditor Nush. Warrants Numbers 10338 through 10462, Direct Deposits numbered 902143-902175 and Electronic Fund Transfers numbered 263-264 in the amount of \$527,444.94 were approved by a motion made by Commissioner Aubertin, seconded by Commissioner Fagerlie and unanimously carried.

Having no further business, the meeting was recessed at 2:38 p.m., until 6:00 p.m. on Monday, October 28, 2013 for the public rate hearing meeting at the Republic Elementary School.

On October 28, 2013 at 6:08 p.m. the board reconvened at the Republic Elementary School and was called to order by Commissioner Kroupa.

Present were Commissioners Aubertin, Fagerlie, and Kroupa, Attorney Steve Graham, Manager John Friederichs, Auditor Sue Nush, and acting secretary Joyce Dunn. Meeting visitors were Randy and Suzie Sage.

The purpose of this meeting was for a public hearing to discuss a proposed rate increase. Commissioner Kroupa explained that it had been discovered that the rate hearing had not been properly advertised. He then asked Attorney Steve Graham under those circumstances how we should proceed with the meeting. Attorney Graham recommended that we adjourn and not discuss either the budget or rate hearing.

Commissioner Kroupa stated that in view of the improperly advertised rate hearing, the meeting be adjourned at 6:15 p.m.

BOARD OF COMMISSIONERS
Public Utility District Number One
Ferry County, Washington

President

Vice-President

ATTEST:

Secretary

APPROVED:

Manager