

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
October 22, 2007

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:10 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell and Nathan Davis, Manager Roberta Weller, Attorney Steve Graham, and Secretary/Treasurer Jayne Jurgensen. Auditor Jennine Groth, Conservation Director John Friederichs and General Foreman Randy Sage joined the meeting later times during the day.

Visitors: Ken Hustad

All stood for the Flag Salute which was lead by Commissioner Kroupa.

The minutes of the September meeting were discussed at length and amended.

A brief recess was declared at 9:19 a.m. with the meeting reconvening at 9:39 a.m. Auditor Groth joined the meeting at this time.

A motion to approve the minutes was made by Commissioner Davis. The motion was seconded by Commissioner Caudell and unanimously carried.

Public Comment Period: None at this time.

Commissioner Kroupa reported that a letter had been sent to the Board from consumers Henry and Gail Kuehne. The Kuehne's expressed their concern regarding the new billing system. The letter was reviewed by the Board with Commissioner Caudell to contact the Kuehnes. Commissioner Kroupa stated that he has already spoken to them regarding their concerns and that it would also be appropriate for their Commissioner to visit with them.

Reports:

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A favorable note has been received from a consumer.
2. A thank-you has been received from Steve Johnson with the WPUDA.
3. Expense and reimbursement vouchers were presented to the Board for approval for Revolving Loan Board members Dan Miller and Gail Kuehne.
4. Notification has been received from the Washington State Cattlemen's Association that dues are again due in the amount of \$50. The Board was in concurrence that the dues should be paid. Commissioner Caudell questioned whether membership proposals from other special interest organizations should be considered more closely.
5. A letter has been received from NW River Partners. The correspondence included the 2008 budget and notification of a potential 3.5% dues increase.
6. Pricing has been obtained for the repair of the leaking roof in the office building. One proposal was received from Mallet Sheet Metal and Roofing in the amount of \$17,665 plus \$1,360 sales tax. The Board discussed the possibility of delaying the repairs until next year or possibly delaying the billing of the work. Manager Weller advised that the roof is leaking now.
7. A letter has been received from Mr. Gordon McIntyre regarding the new bills. He provided examples of other utility billings that he receives to help the District incorporate useful information onto the new bills.

Meetings:

1. An Energy NW meeting is scheduled for the current week with Commissioner Kroupa to attend. He is also schedule to attend the NRU and PPC meetings in Portland 10/30 and 10/31. A WEC meeting will be held prior to the PPC meeting with Commissioner Kroupa to also attend.
2. A WEBINAR entitled "Realistic Clean Coal Generating Options" will be held on November 14.
3. The Annual WPUDA meeting will be held in Seattle December 5th through 7th. A CWPU meeting has been planned for the evening of the 5th for the Commissioners. The possibility of the Utility again hosting a booth at the convention was presented. No final decision was made. The possibility of a Utility raffle basket rather than a booth was proposed by Manager Weller.
4. The Annual Legislative luncheon meeting will be held in Colville on November 5. All Commissioners will attend.

General Business:

1. Energy NW is still working on the Packwood rain damage and landslide which occurred in 2007 and it has become necessary for Energy Northwest to obtain a line of credit not to exceed \$1.3 million dollars for the repairs. The Board discussed at length the District's financial liability if it were to agree to the note. Resolution 07-13 "A Resolution Consenting to an Energy Northwest Revenue Note" was presented and adopted by the Board by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.

Mr. Ken Hustad, B.P.A. Power Account Executive, joined the meeting at 10:40 a.m.

2. Power Engineers have completed the Long Range Plan. It is a very lengthy report and provides both an optimistic and pessimistic look at the future of the Utility. Resolution 07-14 "A Resolution Approving Long Range Plan" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.

The meeting was turned to Mr. Hustad.

The primary focus of B.P.A. is the regional dialogue and long-term power sales contracts. The public's loads are reaching the point where it will be necessary to purchase from the market to augment Federal generation. B.P.A. will now give customers the opportunity to purchase from the market. B.P.A. is trying to stay on schedule to get the new contracts in place. The new long-term contracts will be offered mid 2008 and will cover a 17-year period. The 2007 through 2009 conservation efforts will be part of the high water mark calculation which will determine how much Tier 1 power the Utility can purchase. B.P.A. is expecting a rate case every two to three years. B.P.A. is currently selling environmentally preferred power from renewables which is primarily wind. B.P.A. wants to continue to provide customers with the opportunity to purchase such power. A small utility such as Ferry, who is a full requirements customer and not interested is going onto the market to negotiate for Tier 2 power, will have the option of entering into an agreement with B.P.A. wherein B.P.A. will provide the Tier 1 and Tier 2 power over the length of the contract. All High Water Marks will be transparent, i.e., the information will be shared with all utilities. If the District loses load, it will have the ability to grow back to the original mark. During the life of the contract, the high water mark will not be reset each time the load decreases. The amount of Tier 2 power will however, be adjusted. The District's load is determined by the metered loads for an entire year at B.P.A.'s delivery point. Our load is subject to weather (heating degree days) based on weather station data. The year 2010 will be used as the normal year in terms of temperature for Ferry County. This will be normalized based on history.

Commissioner Caudell requested a refund of the overpayments made by B.P.A. to the investor-owned utilities. He further questions when the District could expect a refund or whether it could stop making payments to B.P.A.? He stated that his personal preference is to stop making the monthly payments to B.P.A. although his fellow Board members are not in favor of this step. The 9th Circuit Court has determined that B.P.A.'s payments were not legal and this Board should not continue to make illegal payments to B.P.A. Mr. Hustad explained that the rates the Utility is paying were established and are in the existing contract and the Utility is obligated to pay those rates. The rates will not be reviewed until the next rate case. This is a very complex problem and a number of people are working on it. Commissioner Caudell explained that the District is having a cost study and a system study for the purpose of borrowing money from the RUS to offset the declining finances. Mr. Hustad will pass the District's concerns on in his report as he has also heard the same message from other utilities.

The meeting recessed at 12:06 p.m. for lunch and reconvened at 1:08 p.m. with Mr. Hustad not returning.

Manager Weller continued her report:

3. More employees have enrolled in the payroll direct deposit program.
4. Attended a NW Wage and Hour seminar for the purpose of discussing labor negotiations.
5. Will attend a CWPU meeting regarding labor negotiations on October 24. Auditor Groth will also attend. Will meet with the Union on November 1 to discuss the CWPU information and the individual negotiation items.
6. The matter of the billing error on the Lust's account was brought before the Board. Policies were gathered from other utilities to learn how such a situation was handled. Attorney Graham reported that he had researched the matter and found that it would be illegal for the Utility to grant any relief of the charges. Most utilities have very liberal repayment schedules to allow the funds to be paid. Commissioner Davis questioned whether it would be possible for a customer to file a claim with the Utility. Attorney Graham advised that a claim would not substantially change our position as the Utility's position would be to contest it. The statute of limitations for such an incident is three years from the time a utility discovers an inaccuracy. Once a written contract is signed with the consumer the applicable statute of limitations is breach of the contract. The statute of limitations would begin to run from their first breach. Manager Weller added that the same situation occurred with the Keller Medical Clinic and that debt is being paid. The billing charges are accurate as the meter is read each month by the Utility. Attorney Graham volunteered to write a letter to the consumers explaining that he had misspoken, explaining that the Utility cannot grant relief of the debt or any portion of it, and highlight the Washington State requirements. The Board was in concurrence and will offer a twelve-month period, with no interest, to repay the debt.

The Attorney's Report was presented by Attorney Graham:

1. Drafted legal documents for the new Revolving Loan made to Tom Williams and his wife for their Now Quality Wood Products business.
2. An Executive Session was recommended to discuss pending litigation. The Board went into Executive Session at 1:53 p.m. for approximately twenty minutes. The Board returned to regular session at 2:12 p.m.
3. Has developed the petition which may be used by those Utility customers living in Okanogan County

and wishing to be annexed by the Utility. The document has been forwarded to the Okanogan County Prosecuting Attorney for his opinion. The process is explained in RCW 35.13.020. Manager Weller requested that Exhibit A, which is the legal description of the area to be annexed, be corrected with Attorney Graham to correct the wording.

4. Has spoken with Mr. Mike Fagley regarding the necessary bond posting for the Kinross line extension work. Has yet to finalize the conversation.

Commissioners:

Commissioner Caudell:

1. The dedication ceremonies for the new WPUDA building were well attended. Had the honor of being the emcee for the event.
2. Changes in WPUDA positions are: Erik Poulsen, Government Relations, Dave Warren, Energy Services and John Kounts, water. The group is very excited to be working together. Contract lobbyists have been hired. The first challenge for Mr. Poulsen is the development of salaries for commissioners. It has been suggested that commissioners be allowed to receive medical benefits after they are no longer commissioners. The possibility of raising the bid limits from \$50,000 to \$200,000 is being considered. Pole contacts are still an issue and will again be presented to the Legislature. There will be no B.P.A. raises this year as they have made their Treasury payments. One significant change in the WPUDA is that there is no longer an energy committee and those managers who sit on a committee will now be able to vote. The various committee meetings will be held concurrently which may require more than one commissioner from each utility attending in order to cover all of the information. Was greatly disappointed as he and one other commissioner were vocal regarding the managers ability to vote. It was necessary to go with the majority and the decision can be changed. Has received quite a number of compliments from those who attended the September WPUDA meetings here in Republic.

Commissioner Davis:

1. Attended a TEDD Board meeting. Primary discussion focused on the education of children. WSU will be polling all communities to learn what areas should be taught. The overall scores throughout the State have been very low. Meetings will be held in Republic. Will also be educating people on the benefits of renewables. Will also point out that dams, logging, and mining are not the ultimate evil. TEDD is working through a major change and will be reaching out more to Ferry and Pend Oreille Counties which may give us an opportunity to have more voice in the organization.
2. Attended a dinner hosted by Kinross. They provided tours of the mine and mill areas. Senator Morton and Representative Kretz were in attendance. A goal set by Kinross is to streamline the permitting process. Had the opportunity to include comments regarding the County's dependence upon the mine and if it doesn't become a reality the Utility will be looking at a rate increase which will require the Utility's consumer to pick up the difference.

A recess was called at 3:00 p.m. with the meeting reconvening at 3:07 p.m.

Commissioner Kroupa:

1. The advertisement for the Manager position was brought before the Board. Has collected advertisements from other utilities. Has requested, from Utility personnel, the top five tangible qualities that a manager should have. Common characteristics include utility experience, knowledge in P.U.D. accounting, engineering, commitment to community and fitting into the community. One application has already been received by Manager Weller. Attorney Graham's advice to the Board regarding their planned meeting in Olympia was appreciated and heeded. Manager Weller presented an advertisement for consideration. The Board discussed at length various issues surrounding the advertisement. Manager Weller was asked to consider working part-time with the new Manager through the month of March. She advised the Board that it would be more reasonable to have the new person on board by the first of February to work with the current Manager during that month. The publications for the advertisement were determined as was the wording and length of time the ad would run. It will be necessary for the Board to hold at least one and possibly two special meetings in December to review the applications.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved Warrants Numbers 1996 through 2145 and wire transfer numbers 17 and 18 in the total amount of \$531,951.22 by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.
2. The Financial and Statistical Report was presented.
3. The D. H. Hittle & Assoc. report was presented and discussed.
4. 2008 Budget information was distributed. A Budget Workshop will be held on November 5 beginning at 8:00 a.m. with Mr. John Heberling available via telephone.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of October 10, 2007 were \$1,286,926.05 with restricted funds of \$1,419,879.09. There were twenty-five outages in the month of September for a year-to-date total

of one-hundred eighteen compared to one-hundred twenty-four for the same period in 2006. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.

2. Resolution 07-12 "A Resolution to Cancel Unclaimed Warrants" was adopted by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously carried.

Conservation Director John Friederichs joined the meeting at 4:39 p.m. for the purpose of presenting the Conservation Report:

1. The Public Utility Tax Credit for Transportation Services is moving along. The new vehicle has been delivered and will soon be in service. Senator Morton has been invited to the official dedication.
2. It has been announced that there will be some changes in B.P.A.'s heat pump program but have not been provided with the changes.
3. Working with Northwest Edison to complete several small lighting retrofit projects for local businesses. The businesses were part of the Energy Smart grocer program which has not been completed. The Utility is now working directly with the area businesses and Northwest Edison to complete the work.
4. Attended the Solar Summit. The focus was an effort by Solar Washington to get a solar incentive bill passed that will benefit businesses. REC Silicon reported that they were able to raise \$20 billion in capital with the recent sale of shares. The funding will allow them to triple the output at their Moses Lake facility which will cover their backlog but not meet their demand. The utility inverter/meterbase project is moving forward. The preliminary design is undergoing testing with the final version to be available in late 2008 or early 2009.
5. The solar installation at the new assisted living facility is moving slowly. The incorrect mounting hardware was specified and the correct materials have now been received. Working with the electrician to complete the final work. A \$4,000 check has been received from US Environmental Protection Agency of Seattle for the cost of installation labor.
6. The Curlew Medical Clinic photovoltaic system is operational and connected to the grid. A signed net-metering agreement is still needed. This will allow the Clinic to participate in the State Incentive Program.
7. The grants recipients for the USDA funding for the wood waste-to-Methanol project have not been announced.
8. The final disbursement has been received from the RUS for the High Cost Energy program. All that remains after the final line extensions are completed is the final report and identifying the Utility's options to extend the program.

Mr. Friederichs was thanked for his time and he exited the meeting at 4:53 p.m.

General Foreman Randy Sage joined the meeting at 4:50 p.m.

Staking Engineer Steve VanSlyke joined the meeting at 4:55 p.m.

Mr. VanSlyke explained that Columbia Carbonates is interested in upgrading their service. This would require approximately 5.5 miles of our system to be rebuilt to some degree. The cost of the project will be \$394,000 and will result in a 500 to 700 kilowatt load. This increase can easily be handled by the Wauconda substation with the distribution voltage. It will be necessary to replace some cross arms. Mr. Leroy Debis with RUS will be meeting with the customer to explore their low interest loan programs. Currently they have a twenty-year ore body.

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

1. Attended the most recent Kinross Good Neighbor meeting. The draft agreement for the policy portion has been signed. The group is now working on the issues surrounding the Beal Pit. These include truck emissions, back-up alarms and the days and hours of operations. The group may be at an impasse as one of the members has requested the pit be seasonal to allow them to have their home windows open during the summer months. Only three of the seventeen members were opposed to including this request in the document.
2. The Utility will receive reimbursement from the Tribes for felling of timber and the replacement of poles damaged in the fires.
3. The wire has been replaced at Curlew Kai and Curlew Job Corps.
4. Quite a number of work orders have been completed with quite a number to be completed.
5. Chemical application is completed.
6. Work is progressing on the transformer/regulator building which is under construction at the Shop.

Mr. Sage was thanked for his time and he exited the meeting at 5:17 p.m.

The Board went into Executive Session at 5:19 p.m. for ten minutes for the purpose of discussing labor negotiations. The meeting returned to regular session at 5:34 p.m.

Lobbying: None

With no further business to come before the Board, the meeting recessed at 5:35 p.m. for the purpose of holding a budget workshop beginning at 8:00 a.m. on November 5.

The Budget Workshop was called to order by President Chris Kroupa at 8:00 a.m. on Monday, November 5, 2007. Those present were Commissioners Kroupa, Gregg Caudell and Nathan Davis; Auditor Jennine Groth and General Foreman Randy Sage. Staking Engineer Steve VanSlyke joined the group later.

Auditor Groth presented the Draft Budget for 2008 to the Board. A discussion followed. Mr. John Heberling of D. Hittle & Associates was present via conference call to assist the Commissioners by answering questions regarding current rates and the financial status of the District.

The Board decided that another workshop would be necessary due to the fact that all members had a prior commitment and needed to adjourn the meeting before a final decision could be made. Available dates for the workshop would be studied later.

The meeting adjourned at 10:55 a.m. by motion duly made, seconded and unanimously carried.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager

A meeting for the purpose of conducting a Budget Workshop was called to order by President Chris Kroupa at 4:10 pm on Tuesday, November 13, 2007. Present were Commissioners Kroupa, Gregg Caudell and Nathan Davis, Auditor Jennine Groth and Manager Roberta Weller. John Heberling of D. Hittle and Associates was present via phone conference.

Discussion was held on the revised figures for the 2008 budget, given the fact that dollars were cut out of the budget at the last Workshop. Mr. Heberling stated there is still a small shortfall and suggested that the Commissioners look at a minimal rate increase. In order to qualify for a RUS loan, the Utility would have to show a slight increase in income. Mr. Heberling was asked to calculate a 3.05% increase, which would be about ¼ cent per kWhs and have those figures available for the November 19th Board meeting.

If the budget is approved with an increase to follow, the required increase in income would be feasible, thus qualifying the Utility for a RUS loan. Manager Weller was directed to contact Dan Bowers of RUS and inquire as to the limitations when borrowing funds for line extensions. The Board is interested in borrowing money to continue the Hi-Cost line extension policy if there are no restrictions from RUS.

The meeting was adjourned at 5:30 pm.