

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
November 17, 2008

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:00 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell and Nathan Davis, Manager John Friederichs, Auditor Rory Miller, and Secretary/Treasurer Jayne Jurgensen. Attorney Steve Graham joined the meeting at 9:09 a.m.

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

Public Comment Period: None.

Visitors: Commissioner-Elect Doug Aubertin, Ferry County Auditor Diana Galvan, Ron Phelps, Chris Vellinga and Kathy and Frank Rounds, Jr.

The minutes of the previous meeting were corrected and approved.

The meeting was turned to Mrs. Galvan who explained the State requirements necessary to adjust Commissioner boundaries. The Board will be looking at this process as a result of the recent Okanogan County voter approval of the annexation of the District's Okanogan County consumers by Ferry County P.U.D. Attorney Graham explained that the proposed changes were to be presented at a public hearing which was to be advertised for a minimum of two weeks prior to the hearing date. The hearing will be held during the December 15, 2008 Board Meeting. Manager Friederichs was directed to see that the hearing notice was placed in the newspaper. Mr. Rounds added that a number of individuals were confused with the wording of the proposal on the ballot and voted against the annexation as they thought they were being annexed into Ferry County. It was explained that Commissioner Kroupa's position will be open for election in 2010. Mr. Rounds stated that he is currently working with the Utility on an easement across some of his property near the Wauconda Summit. Mr. and Mrs. Rounds were thanked for their time as was Mrs. Galvan and they all exited the meeting at 9:30 a.m.

The meeting was then turned to Mr. Phelps. He explained that he had spoken with Commissioner Caudell and had been encouraged to attend the meeting. He is interested in hearing about solar.

The meeting was then turned to Mr. Vellinga. He introduced himself as the new owner of the Hitch n'Post and explained that he had spoken with Manager Friederichs earlier regarding the deposit required to open the electrical account. Due to unexpected expenses and events there is not sufficient funding to cover the \$2,000 security deposit. The Board was asked to postpone the deposit until permanent financing is obtained and the restaurant is operating which is scheduled to be February 28, 2009. Manager Friederichs added that the Utility has lowered the requested deposit amount as far as possible and any further negotiations are turned to the Board. Attorney Graham advised that letters of credit do not cross from residential to commercial therefore personal residential credit could not be used for a commercial account. He further advised that legally under the law, it is not possible to make payments on deposits and urged the Board to reject such a proposal. He questioned whether the Policy allowed the Manager and Board flexibility in determining a security deposit. It was explained that a security deposit for a commercial account is determined by combining the two highest months of full activity for the previous business. Mr. Vellinga explained that there will be no equipment used except lighting and asked the Board to grant him a favor and defer the deposit until the permanent financing becomes available. The existing account is inactive with no billings processed for Tri-County Economic Development as determined by the prior Manager. A billing will be generated at the time the account is put into Mr. Vellinga's name. The nature of the account, i.e., commercial rate versus residential rate was discussed. It was explained that the facility has historically been billed at a commercial rate due to the nature of the use of the building. After a lengthy discussion the Board proposed opening a new account for Mr. Vellinga at the residential rate only for that period of time needed prior to opening of the business as a restaurant and bar. When the business opens, the residential account will be closed and a new account opened at the commercial rate with a \$2,000 security deposit due. Manager Friederichs was directed to contact TRICO with the proposal. Mr. Vellinga will be contact by Manager Friederichs after the Board meeting regarding the exact amount of the deposit that will be requested initially. Mr. Vellinga exited the meeting at 9:54 a.m.

Manager Friederichs took the opportunity to show and explain the proposed transfer switch which may be used at those locations where generators may be used during an outage.

Mr. Phelps exited the meeting at 9:55 a.m.

A brief recess was called at 9:55 a.m. with the meeting reconvening at 10:00 a.m.

The recessed 2009 Budget Hearing was reopened at 10:03 a.m. with no visitors present. Auditor Miller presented a modified 2009 Budget with questions answered. He explained that the Budget as presented was developed very conservatively and is in balance. A thorough review of the 2009 Budget was recommended for the June Board meeting with the Board in agreement. There are still unknown revenues as the mill and new mine are just beginning to operate. The Budget Hearing was adjourned at 10:37 a.m. Resolution 08-21 "A Resolution Authorizing Adoption of Budget for 2009" was presented and adopted by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.

Reports:

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

1. Basin Tree Service has completed their work as of November 6. This was the last year of a four year contract. Specifications for the next contract bid will be developed.
2. Todd Young is reworking some trouble areas. His work was to have been completed but he experienced equipment breakdown. This method of vegetation removal is able to accomplish eight to ten times more than the chipper or with hand clearing. The machine owned by Dick Williams is larger and performs in a slightly different manner.
3. Pole testing is being accomplished north of Curlew. Will be working south when completed in the Curlew area.
4. Work is being completed on solar installation maintenance. Bernie Odegard has been trained to program the systems.
5. The crew is working in the Wauconda area on pre-snow issues. They are to begin pole and arm replacements after line extensions are completed. Have been able to work later into the season on construction this year as the weather has held.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A thank you was sent to the Revolving Loan Committee by Stonerose for granting them funding for the Americorps position. Commissioner Caudell pointed out that the Revolving Loan committee is to meet at a minimum of twice per year. Elections are to be scheduled and the position held by Attorney Graham is the next to be considered for either reappointment or a new member. He further questioned whether the policy book had been updated based on the changes made during the last legislative session. He explained that there were significant changes made that will affect the Committee.
2. A letter has been received from a consumer who experienced a lengthy issue with GFI breakers in her home. The Utility had been contacted initially and advised that the matter was the consumers problem. The problem has finally been resolved and was found to be a Utility problem not the consumers. The consumer has requested reimbursement for expenses associated with the issue. A discussion followed with the Board in concurrence that a refund of basic charges and the cost for an electrician when one was not needed was due to Marsha Stevens in the amount of \$346.00. A reimbursement could not be made for her expense in taking a helpful neighbor to dinner as this would be considered a gift of public funds.
3. A letter has been received from the Eagle Cliff Grange requesting support of their holiday meal to aid families in need. The Board was in concurrence that the Utility would not be able to support this event. Commissioner Caudell asked that the Grange be contacted and our program that allows other individuals to donate to a needy family's power bill be explained.

Meetings:

1. The upcoming annual WPUDA meeting was discussed. Attorney Graham questioned whether the Board wished him to attend the Attorney's meeting held during the annual meeting. The Board was in concurrence that they would allow Attorney Graham to determine whether he should attend based on his review of the meeting agenda.
2. Notification has been received of a WPUDA sponsored Open Public Records Act meeting to be held in Spokane on November 18. The Board was in agreement that Commissioner-Elect Aubertin could attend if he so chose.

A recess was called at 11:10 a.m. with the meeting reconvening at 11:19 a.m.

Commissioner Kroupa brought the matter of the security deposit for the new restaurant/lounge before the Board for further discussion. After consideration, Manager Friederichs was directed to charge a \$200 security deposit for the initial account and increase the deposit to \$2,000 when the business opens its doors.

General Business:

1. A bill has been received from Century/Tel for repairs associated with our crew digging up a telephone line in the Keller area. Unfortunately, we had not requested a locate before digging. The charges are \$665 and the matter will be discussed further with the crew.
2. A proposal to allow the Utility to make available a disconnect/transfer switch to those customers who utilize generators during power outages was presented. The device is mounted behind the meter and allows the generator to operate when no power is going through the meter. When the power begins passing through the meter the generator is shut off. This can eliminate a safety situation for the linemen as there will be no power backfeeding into our system from the generator and will eliminate the possibility of generators being destroyed when the power is restored. Labor and Industries requires that a transfer switch be used if a generator is in place and this will help our customers comply with this requirement at a more reasonable price. The device will be provided and installed by the Utility at a cost of \$10 per month to the customer. The switch will be advertised through billing inserts, newspaper advertisements and a display in the lobby. A motion was made by Commissioner Caudell to develop a program as presented utilizing a GenerLink Transfer Switch. The motion was seconded by Commissioner Davis and unanimously approved.

The Attorney's Report was presented by Attorney Graham:

1. Nothing further to report.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of November 10, 2008 were \$1,055,888.36 with restricted funds of \$1,423,674.19. There were eleven outages in the month of October for a year-to-date total of one hundred sixty-eight compared to one hundred twenty-six for the same period in 2007. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. Resolution 08-22 "A Resolution to Write-off Uncollectible Accounts" was presented and adopted by a motion made by Commissioner Davis and seconded by Commissioner Caudell and unanimously carried.

The meeting recessed at 11:58 for lunch reconvening at 1:00 p.m.

The Auditor's Report was presented by Rory Miller:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 3508 through 3773, direct payroll deposits numbers 9900300 through 9900327 and wire transfer numbers 48, 50 and 51 in the total amount of \$408,385.27 were approved by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.
2. The State Auditors have completed their work and the Exit Conference was held on November 5. The Auditors were complimentary of the attitude and working relationship of the workforce. They reported that working attitudes and conditions had changed for the better. No findings were identified. It was recommended that there be a review of the Auditor's journal entries and the Manager is to review the Treasurer's records. It was learned that there is not adequate solid documentation to support capital assets and the computer conversion was horrible as information was not brought in accurately. Commissioner Caudell stated that the Utility has gotten by doing business the way it has for years, the cost of the State Audits continue to increase and their need to have an additional audit completed on the Auditor was not acceptable. He further added that there has always been an issue with the State Auditors in that they continue to send new people every year that must be trained by the District. Auditor Miller explained that the additional requirements are a result of Sarbanes-Oxley Act. He further questioned if Manager Friederichs may not be able to bring the matter before other Managers at a WPUA meeting with the possibility of developing an auditing process.

Manager Friederichs brought the pending B.P.A. contract before the Board for review. The Board discussed the pros and cons of signing a 20-year contract without knowing the rates. Commissioner Caudell explained

that the Utility is fortunate to be in the position that it is, working with a stable organization that built the northwest and offers the cheapest power in the nation. He expressed concern over the possibility of merging with the midwest and the impacts this would cause. A motion was made by Commissioner Davis to sign the twenty year contract with B.P.A. The motion was seconded by Commissioner Caudell and unanimously carried.

The Board went into Executive Session at 2:30 p.m. for twenty minutes for the the purpose of a Manager performance review. The Board returned to Regular Session at 2:50 p.m.

Commissioners:

Commissioner Davis:

1. No report

Commissioner Kroupa:

1. No report

Commissioner Caudell:

1. No report

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 2:55 p.m .

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager