

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
November 18, 2013

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:00 a.m. Present were Commissioners Kroupa, Doug Aubertin and Dan Fagerlie; Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke, and Secretary/Treasurer Jayne Jurgensen. Attorney Steve Graham joined the meeting at 9:03 a.m.

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

Visitors: None

The minutes of the October meeting were reviewed and corrected with a motion to approve made by Commissioner Fagerlie. The motion was seconded by Commissioner Aubertin and unanimously carried.

Reports:

The Engineer/Superintendent's Report was presented by Steve VanSlyke:

1. The crew was very busy with the meter audit which has now been completed. Update of the mapping system has yet to be accomplished.
2. SD Meyers has completed an inspection of the substations and large pad-mounted transformers. Results are pending. These tests have proven very beneficial in the past.
3. A thermal scan has begun with focus on the substations and pad-mount transformers for industrial, commercial and large power customers. Residential transformers will not be checked.
4. The crew is now able to work on routine maintenance. A few residential line extensions have been completed.
5. Work continues on the storm damage which occurred in the 10-Mile area. This will require installation of several poles which will also necessitate several outages. Working with the Forest Service to obtain permitting to construct an access trail into the area which will be beneficial for future maintenance. Commissioner Aubertin questioned the feasibility of the installation of approximately three miles of line to tie the lines from Keller in with the south feeder from Republic. Discussion followed. The lines were removed several years ago and, at current costs, could cost between \$150,000 and \$200,000 to reinstall. If this were done, the system would have redundancy from the Keller substation. There would also be an added expense in the installation of a regulator at an approximate cost of \$300,000.

Mr. VanSlyke was thanked for his report and he exited the meeting at 9:29 a.m.

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

1. An Executive Session is not needed.
2. A letter written by the CWPU Attorney and regarding Union negotiations was presented by Manager Friederichs. The intent of the letter was to make certain new Commissioners were aware that sharing information pertinent to negotiations is not acceptable.

Commissioner Kroupa questioned how to report on public meetings that he attends when information is presented with the stipulation that the material is not public and is not be shared or is to be shared only with fellow commissioners. Attorney Graham advised that, in such a situation, he be contacted for evaluation of the information. Commissioner Aubertin advised that he encounters the same issues at Energy Northwest meetings.

3. The subject of an email from Auditor Nush regarding the payment of per diem to a Commissioner for the attendance at a meeting via telephone was discussed at length. The law is vague as to what constitutes attendance at a meeting and payment of per diem is not unique to the P.U.D. It was recommended that a resolution be developed to define attendance and payments. Commissioner Fagerlie advised that he requested the per diem payment as he participated in a two day WPUA meeting in Olympia by teleconference to save travel costs to the P.U.D. Commissioner Kroupa advised that he personally, does not request per diem reimbursement for such or when it is necessary for him to travel to the Utility to sign documents. Commissioner Fagerlie advised that this will be a continuing process for him as more of the WPUA meetings will be held through teleconferencing. Commissioner Aubertin added that this will continue to be an issue and the possibility of setting a time limit may be of benefit. Some of his calls have been very short, i.e., fifteen

minutes and he has not requested any reimbursement. Manager Friederichs added that the Commissioners are not obligated to request per diem or mileage compensation. Commissioner Fagerlie added that Commissioners who are viewed as abusing the process could face the possibility of not being re-elected.

Manager Friederichs exited the meeting at 9:52 a.m. returning at 9:55 a.m.

Attorney Graham will develop guidance for the Utility for the payment of per diem as processes have changed. Commissioner Kroupa added that the law and self-restrictions should be adequate for the time as developing a resolution could prove difficult and restrictive.

4. A P.U.D. Attorney's number one goal is to keep the client out of trouble with respect to the Open Public Meetings Act. One of the requirements that may not be intuitive for Commissioners is what can actually be discussed in an Executive Session. If at a later date, the discussion held in an Executive Session is disclosed, this disclosure changes the nature of the Executive Session and the Open Public Meetings Act. A Commissioner recall petition can be implemented if the Open Public Meetings Act is disregarded.

A brief recess was called at 10:04 a.m. with the meeting reconvening at 10:15 a.m.

The Manager's Report was presented by Manager Friederichs:

Correspondence:

1. Commissioners were reminded to refer customer complaints to the Utility for follow-up especially if the complaint is an operational matter. In some instances, the Commissioners are the first contact a consumer makes if they are having a problem with their service.

Meetings:

1. The Annual WPUA meeting will be held at the Northern Quest Casino at Airway Heights. Commissioners Kroupa and Fagerlie and Manager Friederichs will attend. Commissioner Aubertin will be unable to attend this year due to the anticipated birth of a grandchild.
2. Manager Friederichs, Auditor Nush and Engineer VanSlyke attended an Emergency Management Meeting in Okanogan. Information was presented regarding changes to the State Emergency process. It was learned that the extension the Utility received for the FEMA reporting was granted in error by the State. An extension is not possible. The correct process is referred to as a delay and the Utility has written explaining that there will be a delay in the reporting. If the delay is not allowed, the funding received by the Utility could be jeopardized. Attorney Graham added that the Federal Government does not view State agents as their agent. The Utility has not received payment for any portion of the retention withheld from any of the compensation received.
3. A meeting was held at the Republic Fire Hall to discuss the pending cessation of the Kinross Mining operations with a representative from Senator Murray's office. Representatives from local governmental entities and business owners were presented. The group was advised that the situation is being monitored. A lengthy discussion of the effects on the Utility followed. During this discussion the possibility of acquiring that portion of Avista's territory which lies within Ferry County was again considered.

General Business:

1. A renewal document for the VEBA plan was presented and signed by Board President Kroupa. The classification of the funds deposited into the employee's accounts, by the Utility, is under review. It will be determined whether these funds meet the criteria to be considered health care costs. A determination does not have to be made until 2018. Commissioner Fagerlie presented information he obtained at the last WPUA meeting regarding health care costs.
2. The possibility of entering into an agreement with entities from Ferry and Okanogan Counties to have a radio communications feasibility study completed was presented. Currently all radio communication is spotty and it is hoped that all radio users in the counties could benefit from a unified system in which communications would route through the closest repeater allowing for better and broader coverage. The Utility's portion of the study cost is \$9,000.00. A motion to participate in the study was made by Commissioner Kroupa. The motion was seconded by Commissioner Aubertin and with no further discussion, the motion was carried.
3. Information pertinent to the existing VEBA program was presented. In the event the VEBA can be used in the excise tax calculation, that portion of Management's 2% VEBA benefit in lieu of compensation will need to be reconsidered. Possible plan modifications were briefly discussed. The CWPU Trust would be responsible for the payment of the excise tax and, all utilities would be assessed an equal percentage of the cost therefore all utilities would pay

- an increased assessment due to Ferry's plan.
4. A proposed modification of the High Energy Cost program was presented. The proposed plan would be entitled "Residential Line Extension Loan Program", the payments from the existing High Energy Cost program would be directed into the new program; a minimal interest rate of approximately 3%, would be assessed for each loan; customers would provide the ditching for underground and right-of-way clearing for overhead; applicants would be limited to permanent residential customers and would exclude seasonal and irrigation accounts. There would be a minimum length of 1,000 feet or approximately \$10,000 based on the current cost per foot. All customers on a multiple party application would share the costs equally so long as no single person pays more than the amount of an individual extension. The loans would continue to be secured with a mortgage. Manager Friederichs was asked to develop a policy for Board consideration and Attorney Graham will research a utility's ability to assess and collect interest fees.
 5. The Utility has partnered with Rural Resources to allow our customers to participate in the Project Share Program. The Utility will provide an addressed envelope for the mailing of contributions. The involvement will allow our customers to receive assistance from the Project Share program if financial assistance is needed.
 6. The labor costs associated with the meter audit were \$23,478.22. The date the meter was read was used for each customer's billing. This resulted in some billings calculated for less days than normal and in some cases more days than normal. This will resolve itself with the next billing cycle. Payment arrangements have been offered if the readings have created a hardship for customers. System maps were updated during the process to identify meter locations. A few issues were identified, i.e., meters that had stopped or were missing entirely. Unfortunately, the customers were not reporting such issues.
 7. Two separate resolutions have been developed for the upcoming rate increase. One resolution allows the rate increase to become effective December 1, 2013 and the other allows the increase to become effective January 1, 2014. If the rates are effective in December, all seasonal accounts will be billed at the current kWh rate as their usage was accrued in 2013 and they are billed only one time per year for their usage.

The Conservation Report was presented by Manager Friederichs:

1. A conservation project is being developed to utilize a Washington State grant program for energy conservation and Bonneville Power monies targeting street lighting. Northwest Edison is developing a project to replace all security/yard lights with LED lights. The new lights would allow for 30,000 hours of use which will reduce the maintenance necessary to change bulbs. Customers would have the option of keeping their existing lights if they did not care for the newer lighting. Changing lighting will result in an energy savings. It is anticipated that 1/3 of the total cost would be payable by each entity.

The meeting recessed at 12:05 for lunch, reconvening at 1:02 p.m.

Commissioners:

Commissioner Aubertin:

1. Attended the October Energy Northwest meeting with an overview presented. Was unable to attend the Member's Forum.

Commissioner Fagerlie:

1. Attended an October 23 TEDD meeting with an overview presented.
2. Attended the Energy Northwest Member Forum.
3. Attended the WPUA meeting with highlights presented. He stressed that CFL bulbs should only be placed in locations that will allow the light to be on for 3-hours or longer to ensure maximum bulb life.

Commissioner Kroupa:

1. Attended the Energy Northwest Member Forum.
2. Attended the NRU and PPC meetings with the highlights presented.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of October 31, 2013 were \$2,352,765.33 with restricted funds of \$1,248,072.92. There were four outages in the month of October for a year-to-date total of one hundred thirty-five compared to one hundred sixty-two for the same period in 2012. The Revolving Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed.

2. Resolution 13-07 "A Resolution to Write-Off Uncollectible Accounts" was presented and adopted by a motion made by Commissioner Aubertin. The motion was seconded by Commissioner Fagerlie and unanimously carried. The 2013 write-off's totaled seven thousand three hundred sixty-four dollars and 55-cents which is in line with 1985 write-off costs. The lower value could be attributed to the new collection / delinquent account process now in place.

The Board briefly discussed the Public Rate Hearing scheduled to be held at 6:00 p.m. at the Republic Schools. The Board anticipates reconvening their regular meeting following the Rate Hearing on November 19, 2013 at 9:00 a.m.

Manager Friederichs reported that the Utility is no longer receiving T-1 Internet service through Verizon. A move to the Republic TV Association's Internet service has been made with an estimated savings of \$700 per month.

A brief recess was called at 2:34 p.m. with the meeting reconvening at 2:39 p.m. Attorney Graham did not return to the meeting.

The Auditor's Report was presented by Sue Nush:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 10463 through 10544, direct payroll deposits numbers 902176 through 902208, Electronic Fund Transfer numbers 265 and 266 in the total amount of \$491,036.71 were approved by a motion made by Commissioner Fagerlie, seconded by Commissioner Aubertin and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board with questions answered.

Attorney Graham returned to the meeting at 2:45 p.m.

3. Information pertinent to the upcoming rate increase was presented and discussed. The anticipated annual increase in expenses to the Utility by the October 1, 2013 B.P.A. rate increase will be \$250,000 to \$300,000.

The Board again discussed the date and time to reconvene their meeting after the Rate Hearing. The time was tentatively changed to 4:00 p.m. from 9:00 a.m. to allow all Commissioners to attend.

The meeting recessed at 3:06 p.m. to reconvene at 6:00 p.m. at the Republic Schools for the purpose of a Public Rate Hearing.

The meeting was reconvened November 18, 2013 at 6:05 p.m. at the Republic Elementary School cafeteria by Board President Chris Kroupa.

Present were Commissioners Kroupa, Doug Aubertin, Dan Fagerlie, Manager John Friederichs, Auditor Sue Nush, Treasurer Jayne Jurgensen and Attorney Steve Graham.

Other Utility personnel in attendance were Joyce Dunn and Nikki Taber.

Consumers in attendance were Greg Sheffield, Randy and Susie Sage, Gary and Andrea Olson, and Gene and Bobbi Weller.

Introductions were dispensed with due to the small crowd.

The Flag Salute was lead by Commissioner Kroupa.

The proposed rate increase was presented by Auditor Nush with discussion and questions following. The Bonneville Power Administration rate increase which was effective October 1, 2013, has effected approximately one-half of the Utility's fixed expenses. The Utility has been advised that the power portion of Bonneville's billing will increase on an average of 8% while the transmission portion will increase on an average of 11%. The Utility's proposed increase is a 6% kilowatt hour increase for all accounts that are not under contract. This increase would result in the new residential cost per kilowatt of \$.07828. The Board will consider two effective dates for the increase, one being December 1, 2013 and the other being January 1, 2014. A consumer expressed his concern that the Utility was not considering an increase in the Basic Charge as this would generate additional revenue.

With no further comments from those present, the Board discussed their desire to finalize the rate increase process.

The Public Rate Hearing was recessed at 7:30 p.m. to reconvene in one-half hour at the P.U.D. office building.

The Regular Meeting was reconvened by Board President Kroupa at 7:56 p.m. in the Manager's office.

Present were Commissioners Kroupa, Doug Aubertin, Dan Fagerlie, Manager John Friederichs, Auditor Sue Nush, Treasurer Jayne Jurgensen and Attorney Steve Graham.

A motion was made by Commissioner Aubertin to allow a 6% rate increase. The motion was seconded by Commissioner Fagerlie.

Commissioner Aubertin rescinded his first motion and made a second motion to allow a 6% rate increase to become effective January 1, 2014. The motion was again seconded by Commissioner Fagerlie. A discussion followed. Commissioner Fagerlie thanked Manager Friederichs and Auditor Nush for providing him with the information he needed to make an informed decision.

With no further discussion, the motion was unanimously carried.

Resolution 13-08 "A Resolution to Establish Retail Rates" was presented and unanimously adopted.

Lobbying: None

With nothing further to come before the Board, the meeting was adjourned at 8:07 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager