

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
November 19, 2007

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:12 a.m. Present were Commissioners Chris Kroupa, Gregg Caudell and Nathan Davis, Manager Roberta Weller, Attorney Steve Graham, Auditor Jennine Groth and Secretary/Treasurer Jayne Jurgensen. Conservation Director John Friederichs and General Foreman Randy Sage joined the meeting later during the day.

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

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

A motion to approve the minutes was duly made, seconded and unanimously approved.

Public Comment Period: None at this time.

Visitors: None

Reports:

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. The WPUDA has requested a current picture of Commissioner Caudell. They have also requested that he not wear a hat in the picture.
2. The Republic Chamber of Commerce is encouraging participation in the downtown holiday decoration. A grant has been obtained to purchase some of the new decorations and additional funding is needed to cover the balance. The Community has been invited to share in this cost. The Board was in agreement that the Utility's in-kind support by hanging and removal of the decorations should be considered our financial support.
3. A letter has been received from the Clarion Hotel in Olympia congratulating the utilities on the new WPUDA headquarters building and offering a room special through 2008.
4. A letter has been received from the Republic Visitors Bureau. A summary of their advertising efforts was included along with a request for financial support. A motion was made by Commissioner Davis to again provide \$100 in advertising support. The motion was seconded by Commissioner Caudell and unanimously approved.
5. The B.P.A. Foreman in Spokane has contacted the Utility regarding the most recent outage. Our crew was able to locate the problem area and could have removed the tree had B.P.A. given their authorization. In the past, the Utility has not had the necessary equipment to work on the B.P.A. system. This is no longer the case and had B.P.A. given their ok for our crew to proceed the outage time could have been dramatically reduced. B.P.A. will be contacted regarding a written agreement for future outages.
6. The Republic Cub Scouts are sponsoring a fund raising project by selling Republicopoly games. At the current time they are selling board squares to area businesses and individuals. The Utility has been asked to sponsor the effort by purchasing the utilities block for \$300. A motion was made by Commissioner Davis to advertise on the Republicopoly Board by purchasing the utilities block for \$300. The motion was seconded by Commissioner Kroupa and unanimously approved.
7. A 2008 calendar has been received from PCS. The calendar includes a photograph of their employees. Joyce Dunn, Sheila Rittel and Jennine Groth have completed the appropriate PCS training and PCS has provided completion certificates which will be awarded later in the meeting.
8. A letter from a consumer requesting the Board's assistance in having a line extension installed to his property was discussed. The customer has purchased a solar system under the High Cost Energy Program and has actually upgraded to a larger system. Their electrical consumption is exceeding the systems output. The matter will be discussed later with Conservation Director Friederichs.

Meetings:

1. The Annual WPUDA meeting will be held December 5 through 7 in Seattle. The Commissioners first order of business will be the CWPU meeting on the 5th at which time they will be brought up to date on the labor negotiations.
2. NW River Partners meeting will be held in Portland on December 12. Commissioner Kroupa will not attend.
3. A Harvesting Clean Energy Seminar will be held in Portland January 27 and 28. Conservation Director Friederichs has attended in the past. Commissioner Kroupa expressed interest in attending as it may be held in conjunction with the NRU and PPC meetings.
4. Commissioner Kroupa's picture is in the latest edition of Energy Northwest's Current publication.
5. A telephone conference has been scheduled with RUS and Power Engineers to discuss the long-range plan. The Utility's system will be reviewed and the proposed plans discussed. General Foreman Sage and Staking Engineer VanSlyke will participate. There is still one more report to be completed but the Long-Range Plan is the one needed by RUS. Mr. Bowers has received the information and it has been forwarded to Washington DC.

A brief recess was declared at 9:54 a.m. with the meeting reconvening at 10:00 a.m.

General Business:

1. The Lease for the Job Corps substation will terminate in December. This will be the end of a thirty-year lease and the Utility's efforts to purchase the property continue. Senator Cantwell has been contacted for assistance in resolving the red tape.
2. The Washington State Auditors have been at the Utility reviewing the books for 2005 and 2006. The Minutes of the Board meetings were again reviewed and it was pointed out that the minutes are to be more specific regarding the purpose of Executive Sessions. There is also an issue with the restricted and RUS funds. Information regarding the bonds was presented however the Auditor did not understand the material provided. The Auditors sent to the Utility have not worked with other utilities and are new to the agency. They have also given Auditor Groth quite a time. The Utility reporting is not in the format that the Auditors believe it should be and they feel that the funds are being reported incorrectly. No final cost for the Audit has been received. There is the possibility that the Utility will receive a Finding for reporting the funds in the wrong category. It has already been necessary for the Utility to keep two separate sets of books to satisfy the State. Other utilities will be contacted by Manager Weller regarding their accounting process. Mr. Bowers has already been contacted regarding the RUS accounting needs.
3. The General Manager position has been advertised in APPA, NWPPA and WPUA publications as well as an Energy Jobs portal, the local newspaper and the Omak Chronicle. To date, four applications have been received by Manager Weller. These applications are being maintained in the vault as always. Commissioner Kroupa added that he has received three applications. December 10 was set as the first date to begin the evaluation process.
4. Republic School Superintendent, Teena McDonald has submitted a request to the Utility asking that the School be permitted to use the Utility's CB radio frequency on the radios that will be installed in all of their busses. Their proposal is to use the radios only in the case of an emergency as, at the present time, there is no communication available. Attorney Graham was asked to research the legality of the request.
5. The Annual Holiday Dinner was presented to the Board for their consideration. The Board was in agreement and the dinner will be held on January 21 beginning at 6:00 p.m. at the Merry-go-round building. Auditor Groth will determine which awards will be presented.

The Attorney's Report was presented by Attorney Graham:

1. A hearing ~~has been scheduled for~~ **was held on** November 16 for the remaining counts on the Steinbock case. Mr. James VonSauer has been retained as Mrs. Steinbock's new attorney. **Judge Nielson dismissed the lawsuit against the Utility**

The Board went into Executive Session at 10:34 a.m. for fifteen minutes for the purpose of discussing threatened litigation. The meeting returned to regular session at 10:50 a.m. with General Foreman Sage joining the meeting at this time.

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

1. Several work orders have come in with three of them being High Cost. One underground project will now be postponed until spring. It is hoped that the crew can begin regular maintenance work in December. A brief discussion of overhead and underground line extensions was held.
2. Attended the Community Advisory Board meeting for the Buckhorn project. It was the consensus that there will be no seasonal restriction, hours of work will remain 6:00 a.m. til 6:00 p.m. and the Beal Pit Draft is nearing completion. There will be no meeting in the month of December and at the January meeting it will be determined how often the group is to meet. Commissioner Caudell questioned whether there was legislative representation at the meetings and their involvement. Mr. Sage explained that the purpose of the Advisory Board was to develop a method of dealing with complaints not interaction with the legislators or senate.
3. Basin Tree Service has completed the felling of trees on the Manilla Creek Fire. The Tribe has been billed in excess of \$21,000 for this work and has already reimbursed the Utility \$6,000 for damaged poles. Basin Tree has completed their work for the year.
4. Continuing to use the automated brush cutting machine in the southern portion of the District.
5. Compiling the cost of regulators, reclosures and labor for the work to be completed on the Buckhorn project. Manager Weller explained that Kinross has requested to know what will be spent by the end of the year for year end reporting purposes. Kinross will pay in advance for the work to be performed and the Utility will complete as time allows and most likely in different segments. This project will take priority over some of the other work and will be completed by mid March.

Manager Weller explained that another Claim for Damages has been received for damages in relation to the November 12 power outage. A water pump was destroyed due to a power surge. The cost of a new pump was \$935.04. The Board was in concurrence that the Claim should be forwarded to the Utility's insurance carrier. General Foreman Sage added that customers are still required to provide protection for their own equipment in the event they receive an over or under voltage event as a result of an outage. It should never be assumed that things will start as they should. Customers need to be reminded that when power does come back on it can be very hard on equipment.

Mr. Sage was thanked for his time and he exited the meeting at 11:17 a.m.

Attorney Graham continued his report:

2. Has received information from the Okanogan County Prosecuting Attorney regarding the proposed annexation. The suggested changes to the petition will require additional research and a trip to the Law Library in Spokane.
3. Did prepare and send a letter to Mr. and Mr. Lust regarding the Utility's inability to waive the past due undercharges. An additional payment, as agreed to, has been made on the account.

Commissioners:

Commissioner Caudell:

1. All Commissioners attended the Legislative meeting held in Colville. Had the opportunity to talk with Representative Kretz regarding the Kinross project. Senator Morton pointed out that Ferry County is the only County that has ever looked at bankruptcy and what it would mean. There was representation from Okanogan, Stevens, and Pend Oreille County P.U.D.'s. Pend Oreille shared a letter from the union regarding the increased limit from \$50,000 to \$200,000 for the small works roster. The utility could not have work in excess of \$50,000 or someone else must perform the work. The DOT right-of-way issue regarding the cataloguing of poles was discussed. Stevens County P.U.D. is building a huge sewage treatment facility.
2. Attended the WPUA meeting. The residential exchange and Snohomish County P.U.D.'s withdrawal from the WPUA were the primary topics. A very good presentation was made on the 9th Circuit Court's decision regarding B.P.A. The challenge will be how to enforce the requirements and how to make what is said now still be effective twenty years from now. Utilities were cautioned to make certain their new B.P.A. contracts include the 7B2 clause which gives them the right to sue.

The meeting recessed at 12:01 p.m. for lunch reconvening at 1:17 p.m.

Commissioner Caudell continued his report:

3. Benton County P.U.D. will again be able to lower their rates. This will be the 5th time since 2004. Pend Oreille County P.U.D. has a citizens budget committee that reviews the budget and makes recommendations. Energy Northwest will be selling the Reardan Wind proposal. Lewis County has installed a new outage reporting telephone system that allows for no busy signals. The docks on the reservoir behind Wells Dam have become an issue. Douglas P.U.D. owns the shoreline and also issues **private** dock permits. The docks have been found to affect the fish and Douglas will stop issuing dock permits. Chelan is dealing with Alcoa who is interested in an additional 250 megawatts per year of power. Skamania is proposing 44 wind turbines. Grant has a \$492 million budget with ten million allocated for fiber.

Commissioner Davis:

1. Attended the legislative meeting. A new dam has been proposed on the Similkameen River to allow some water down during the hottest part of the summer to allow for power generation and irrigation.

Commissioner Kroupa:

1. Attended the Energy Northwest Board meeting. The need to begin using coal was discussed as renewables aren't the entire answer. Energy NW passed six spending bills and the Packwood Note. Our Utility is liable for 1% of the note. B.P.A. keeps pushing Energy NW to reduce their budget. The facility is starting to have more down time and safety issues. Some of the spare parts can take a year to deliver. **A new policy has been adopted, and from now on, at the time a new project is proposed by Energy NW, those interested will be asked to provide a portion of the funds so that Energy NW does not bear the entire expense.**
2. Attended the NRU meeting. The main topic for discussion was the Residential Exchange.
3. Attended the PPC meeting. The Regional Dialogue was also discussed as was Energy NW's relationship with B.P.A. and fish issues.
4. The advertisement for the Manager's position was brought before the Board for discussion. The first date to review applications will be December 10 at 9:00 a.m. The new person will begin work on February 1 which will give the individual three to four weeks to report after selection. The Utility should reserve the right to be flexible in decisions in order to accommodate the situation. Manager Weller pointed out that some of the applicants have stated that they will need two weeks prior to beginning work. The question of whether the Utility will pay travel expenses for the interviews and for the actual move was not resolved. All Commissioners will gather information at the Annual WPUA meeting from other commissioners regarding these two matters. The possibility of the employees and public meeting the candidates was also again considered. Commissioners Kroupa and Davis were in agreement that such could be beneficial. Commissioner Caudell expressed displeasure stating that this is the purpose of the Board.

Conservation Director John Friederichs joined the meeting at 2:12 p.m. for the purpose of presenting the Conservation Report:

1. Under the Post 2006 Conservation Program, Energy Star washing machines, one of the most popular rebate items has been dropped. Dishwasher and refrigerators were added, at \$25 each. The expected changes in the heat pump program specifications, in reality, are a requirement for a very expensive certification training so there is no rebate to be offered.
2. The PV installation at the Assisted Living Facility is nearing completion.

3. The letter received from a current solar customer under the High Cost Energy program was reviewed and discussed at length. The Utility has made service trips to the site a number of times and it appears that the electrical demand now exceeds what the solar system can provide. The Board was in concurrence that it is the consumers responsibility to use their system within it's capabilities and if they are interested in a line extension would be expected to pay the cost. The Utility would take their solar system back but they would not be eligible for a line extension under the current High Cost Energy program as all funding has been allocated. If the program is extended they may qualify at that time.

A brief recess was declared at 2:28 p.m. with the meeting reconvening at 2:31 p.m.

The Boards desire to again have a Utility booth at the upcoming WPUDA Annual meeting was explained. Mr. Friederichs stated that the booth is not a cash benefit to the Utility but is still very worthwhile. All were in agreement that the Utility would again put together a basket of Republic / Ferry County items to be raffled.

4. The Wood waste-to-Methanol grant was not successful.
5. The High Cost Energy Program has received the final disbursement from RUS. Once the final line extension are complete the final paperwork will be completed. The possibility of extending the program was briefly discussed.
6. The 3-phase Columbia River Carbonates Project as planned will cost \$400,000. A CERB Grant in the amount of \$300,000 may be a possibility. This would allow for a loan in this amount to the customer who would be asked to provide \$60 to \$100,000 as a down payment and repay the loan at \$30,000 per year. The load would be large commercial and may no longer be season after the line extension is completed. Resolution 07-15 "A Resolution to Authorize a CERB Application" was approved by a motion made by Commissioner Caudell, seconded by Commissioner Davis and unanimously approved.

Commissioner Caudell advised that utilities have been asked to make it known by contacting Tom ~~Carrier~~ **Karrier**, if they are apposed to B.P.A.'s cut in the conservation program. It has been our experience that conservation is a valid and vital function for B.P.A. to have in it's program. Mr. Friederichs stated that B.P.A. still has a program in place with quite a number of individuals working on it. The specifications have become too restrictive and B.P.A. doesn't seem to understand why they are no longer getting the results that they want. They are providing less funding yet expect 10-15% more conservation.

7. Resolution 07-17 "A Resolution to Adopt An "Interconnection of Electric Generators" Policy" was approved by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously approved.

Mr. Friederichs was thanked for his time and he exited the meeting at 3:20 p.m. A brief recess was declared at this time with the meeting reconvening at 3:33 p.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of November 10, 2007 were \$1,272,418.80 with restricted funds of \$1,382,461.84. There were nine outages in the month of October for a year-to-date total of one-hundred twenty-six compared to one-hundred twenty-five for the same period in 2006. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
2. Resolution 07-15 "A Resolution to Write-off Uncollectible Accounts" was approved by a motion made by Commissioner Davis, seconded by Commissioner Caudell and unanimously carried.

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 2101-2103 and 2146 through 2309 and wire transfer numbers 19 and 20 in the total amount of \$456,432.43 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.

Lobbying: None

Commissioner Caudell questioned the adoption of the Budget at the December meeting. He further questioned whether the date for the rate increase meeting should be determined as the rate increase will likely be effective in April. He also suggested a public hearing be held in December with the rate increase to be effective January 1.

Manager Weller advised that her final day of regular employment must now be March 3. Her final date has been changed in order for her to receive full retirement benefits.

The meeting recessed at 4:25 p.m. to reconvene at 9:00 a.m. on Monday, December 10, 2007 for the purpose

of reviewing applications received in response to the advertisement for the Manager's position.

Commissioner Chris Kroupa called the meeting to order at 9:05 a.m. on Monday, December 10, 2007. Present were Commissioners Kroupa, Gregg Caudell and Nathan Davis, and Manager Roberta Weller.

Flag salute was led by Commissioner Kroupa.

Manager Weller presented a request for sponsorship for the Ferry County Foster Kids Annual Christmas Drive. Commissioner Caudell moved and Commissioner Davis seconded the motion to sponsor \$100.00 for this Drive. Motion unanimously carried.

The Board then discussed the applications received for the position of General Manager and the process for proceeding forward. Commissioner Kroupa suggested that each Commissioner read the applications and make a list of top candidates. Commissioner Caudell stated that they need a process to follow, i.e. questions to be asked. The Board needs to decide what they want in a Manager and have the questions ready before they do anything else. The Board asked for employees input on 3 questions to ask the final candidates. Each Board member wrote down the questions they felt were pertinent and qualifications they wanted to see in a Manager. The Board then prioritized the top five qualifications. The Board reviewed the Position and Salary Evaluation Schedule #24-07.

The meeting recessed for Lunch 12:00 Noon and reconvened at 1:05 p.m.

The Board continued to discuss costs associated with hiring a new Manager, i.e. interview expenses and moving expenses. They also looked at the calendar to develop a schedule for interviews, etc.

Commissioner Kroupa then proceeded to open the 15 applications.

The Board went into Executive Session for the purpose of reviewing Applications at 2:10 p.m. for a period of one hour. At 3:10 p.m. the Board extended Executive Session for an additional 20 minutes. At 3:30 p.m. the Board extended the Executive Session for 2 hours. At 4:30 p.m. the Board came out of Executive Session.

Commissioner Kroupa recessed the meeting to reconvene at 9:00 a.m. on Wednesday, December 12, 2007.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager

Commissioner Chris Kroupa called the meeting to order at 9:13 a.m. on Wednesday, December 12, 2007. Present were Commissioners Kroupa, Gregg Caudell and Nathan Davis, and Manager Roberta Weller.

Flag salute was led by Commissioner Kroupa.

Manager Weller read the Minutes of the December 10, 2007 meeting.

Board went into Executive Session for the purpose of reviewing Applications at 9:17 a.m. for a period of 2 hours. At 11:17 a.m. the Board extended Executive Session for one hour.

At 12:17 p.m. the Board came out of Executive Session.

Commissioner Kroupa recessed the meeting to convene at 9:00 a.m. on Thursday, December 13, 2007.

Commissioner Chris Kroupa called the meeting to order at 9:15 a.m. on Thursday, December 13, 2007. Present were Commissioners Kroupa, Gregg Caudell and Nathan Davis, and Manager Roberta Weller.

Board went into Executive Session for the purpose of reviewing Applications at 9:16 a.m. for a period of 2 hours. At 11:16 a.m. the Board came out of Executive Session.

Commissioner Kroupa adjourned the meeting at 11:17 a.m.

As requested by the Board, employees provided a number of very good questions to be used in the interviews.