

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
November 21, 2006

The regular meeting of the Board of Commissioners was called to order by President Kathy Ciais at 9:07 a.m. Present were Commissioners Kathy Ciais, Gregg Caudell and Chris Kroupa, Manager Roberta Weller joined the meeting at 9:17 a.m., Attorney Steve Graham, Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen.

Visitors: Commissioner Elect, Nathan Davis and Consumers Jack Hamilton and Gary Payne.

All stood for the Flag Salute.

The minutes of the October meeting were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.

The meeting was turned to Mr. Hamilton. He explained to the Board that he had been contacted by the Utility via telephone in October and asked to pay an additional security deposit on a rental apartment. He further explained that he has been a good customer of the Utility since 1995 and does not feel that it is fair or appropriate that he be asked for the additional deposit. Commissioner Ciais questioned whether a letter had been received prior to the telephone call and he assured the Board that there had been no letter. Manager Weller interjected that letters were sent to all those customers who had a lesser deposit on their accounts than is currently collected on new accounts, and those individuals who had not responded to the letters were contacted by telephone. Mr. Hamilton stated that he or his wife try to pay as much as they can each month on the accounts. Information pertaining to both of the Hamilton accounts was presented to the Board for their review. Attorney Graham added that a consumer had questioned him about the legality of the letters. He advised that the utility can legally increase a deposit on an existing account just as the rates can be increased when determined necessary. Commissioner Caudell stated that the Board would discuss the matter further with staff and make their decision at that time. Mr. Hamilton added that he often did not have the apartment rented and that paying the utility bill was difficult as there was no rent coming in. Mr. Hamilton was again thanked for his time.

Mr. Gary Payne questioned why he had been charged a \$40 connect fee for each of the meters at his new residence. Manager Weller explained that this is a standard practice and anyone who changes locations is charged \$40 for each meter at the location. Mr. Payne questioned whether all consumers were charged such fees, including Commissioners. Manager Weller assured Mr. Payne that all individuals are assessed the same fee. She further explained that a CT Package could be installed for Mr. Payne at the cost of \$500 and this would combine his meters, eliminating one of them. Mr. Payne stated that he may very well install another solar system and eliminate the need for any meters.

Mr. Payne and Mr. Hamilton exited the meeting at 9:41 a.m.

Reports:

Conservation Director John Friederichs joined the meeting at 9:45 for the purpose of presenting the Conservation report:

1. Attended the 2006 Solar Summit which was held in Wenatchee November 6 through 8. The highlight of the meeting was learning of the implementation of the Department of Revenue's Renewable Energy System Recovery Program. An agreement to pay for renewable generation is arranged between the Washington State Department of Revenue and the producer with a participating utility passing through the funding to the producer in exchange for a dollar-for-dollar utility tax credit. There is no liability or responsibility placed on the utility for guaranteeing the accuracy of the application or the proper reporting of production. Manager Weller and Mr. Friederichs will develop a news article explaining the program, including the tax credits. Toured the new Wild Horse wind farm near Vantage. One hundred and twenty 1.8 mW wind towers have been installed at this location since June of this year.

Attorney Graham exited the meeting at 9:55 a.m.

2. Have yet to finalize the water heater program for the post 2006 Conservation Program. The Utility will continue to offer rebates for Energy-Star® Manufactured homes and Energy-Star® clothes washers. Ferry P.U.D. was the first utility to sign up for B.P.A.'s PEI grocery store initiative program which is focusing on refrigeration units. Currently working with B.P.A. to finalize the surveys of local businesses before the weather precludes gathering additional information.

Commissioner Ciais opened the meeting at 10:00 a.m. for the purpose of a public hearing for the 2007 Budget. With no visitors present, Mr. Friederichs continued with his report.

3. The Third quarter High Energy Cost Grant Program report has been filed. Total expenditures through this reporting period, were \$1,055,543.05 with the Federal funding portion being \$791,046.75. Work is continuing on the program with several more line extensions scheduled before the snow. There is roughly \$13,000 remaining to request from the RUS and the grant period will end in July of 2007.

Mr. Gary Payne joined the meeting at 10:05 a.m.

4. The Hospital's Assisted Living Facility has yet to receive a final inspection. It may become necessary to complete the solar installation in the spring of 2007.

Attorney Graham returned to the meeting at 10:10 a.m.

5. There is no further information regarding the wood waste-to-Methanol project. A decision is anticipated now that Congress is again in session. Commissioner Caudell advised that the WPUDA political action network may be of help in this area. Mr. Friederichs will provide information to Commissioner Caudell as soon as available.
6. There is also no additional information on the Fuels for Schools project.

Commissioner Caudell asked that a policy agreement be put together for the Department of Revenue Renewable Energy System Recovery Program for the Board's review at the December Board meeting.

Commissioner Caudell explained the new program that the Utility may be presenting for grid-tied solar systems to Mr.

Payne.

7. Attended the Telecom Conference held in Republic on November 20. Commissioner Caudell added that CTED has been given direction from the Governor to help Ferry County out of its economic problems.

Commissioner Kroupa exited the meeting at 10:24 a.m.

Mr. Friederichs was thanked for his report and he exited the meeting at 10:25 a.m.

Mr. Payne questioned the CT Metering package which was discussed briefly with him earlier during the meeting. He indicated that he would like to move forward with such a change. Staking Engineer VanSlyke will be asked to meet with Mr. Payne.

Mr. Hamilton's discussion with the Board was again discussed at length with the Utility's procedures as they relate to security deposits, delinquent accounts, rental accounts, and property liens included. Manager Weller was asked to develop appropriate Policy Book wording explaining that a security deposit may be increased after a non-payment disconnect of service. This will be reviewed at the December Board meeting. Commissioner Caudell requested that the District's Policy Book be added to the website.

The meeting recessed at 10:55 a.m. reconvening at 11:05 a.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Information regarding the seasonal account for Steven Heeb and the Utility's request for a security deposit was presented to the Board. The Board was in concurrence that, in the event Mr. Heeb asks to have his service reconnect, a security deposit is to be requested. The possibility of the Utility holding security deposits until the account is closed was discussed. Attorney Graham advised that there is the possibility that interest would become due and payable if this were to occur.
2. Operating Funds available as of November 10, 2006 were \$1,519,024.40 with restricted funds of \$1,462,098.99. There was one outage in the month of October for a year-to-date total of one hundred twenty-five compared to eighty-three for the same period in 2005. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.
3. Resolution Number 06-12 "A Resolution to Write-off Uncollectible Accounts" was presented and unanimously approved by a motion made by Commissioner Kroupa and seconded by Commissioner Ciais.
4. A summary of long-term investments was presented and briefly discussed.

The meeting recessed at 11:54 for lunch. The Board joined the Telecommunications Committee at their regular luncheon meeting. The meeting reconvened at 1:22 p.m. with General Foreman Sage joining the meeting. Attorney Graham did not return to the meeting.

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

1. Four High Cost Energy Grant line extensions have been completed. Would like to see the program continue.
2. Attended a Ferry County Commissioner meeting with Manager Weller to present the billing for their portion of the Franson Peak radio work and to request a two-month work extension on the White Mountain Road. The Commissioners approved the extension. It was learned that the November 1st deadline had been chosen to eliminate conflict with the snow plowing of County roads.

The possibility of meeting with the County Commissioners on a quarterly basis was discussed. The Board was in agreement and Manager Weller will contact the County Commissioners regarding a joint meeting in January. Manager Weller and General Foreman Sage were asked to develop topics for the meeting.

2. A new 1,200 amp service has been installed for the new Konz lodge.
3. A pole was hit by a car in the Alice Flats/Keller area recently. To date, there has been no report of the incident made to the Tribal authorities. The Utility has expended approximately \$5,000 to repair the damages and will need some recovery of this expense. It has been learned that the vehicle that struck the pole was reported as stolen. Attorney Graham may become involved.
4. Attended another Community Advisory Board meeting at the Eagle Cliff Grange.

Nathan Davis joined the meeting at 1:45 p.m.

5. An archeological site was located on property purchased by Kinross. This property was to be used for the line extension to the mine site. The line has since been rerouted, at an additional expense. Work is beginning on the site in preparation of actual mining.

Commissioner Caudell extended an invitation to General Foreman Sage and his wife to attend the WPUDA Annual Meeting and to be present when he becomes the new President. Commissioner Caudell explained that Mr. Sage is the reason that he is serving as a Commissioner. The Board was in concurrence that the Utility could pay mileage and per diem if the Sages are able to attend.

Manager Weller reported that the Memorandum of Understanding for the Franson Peak radio site between the County, Homeland Security and the Utility is now ready to be signed after much effort on the part of General Foreman Sage.

Mr. Sage was thanked for his time and he exited the meeting at 1:55 p.m.

Attorney Graham joined the meeting at 1:57p.m.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved G&O Warrants Number 23980 through 24119 in the amount of \$226,063.69 and Payroll Warrants Numbers 009159 through 009178 in the amount of \$42,504.69 and Numbers 009179 through 009201 in the amount of \$50,054.32 by motion made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.

3. The D. Hittle report was presented.
4. The vehicle fuel summary was presented and briefly discussed.
5. Information was presented to the Board regarding the need to have a banking deposit slip available at the Utility if an employee wishes to have a payroll warrant deposited in their absence.
6. The long-term debt status was presented.
7. Auditor Groth explained that reimbursement for personal vehicle mileage is not taxed however the meals that are reimbursed *with per diem* are processed through payroll and are taxed as they are considered compensation.

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

1. Recommended an Executive Session for the purpose of providing additional information on pending litigation.

The Board went into Executive Session at 2:26 p.m. for approximately fifteen minutes for the purpose of discussing pending litigation. The Board returned to regular session at 3:01 p.m.

2. Will be attending the WPUDA's Annual Attorney's meeting held in conjunction with the Annual WPUDA meeting.
3. Manager Weller had questioned a statement made by a consumer whose service had been disconnected for non-payment. The consumer had stated that their "liberty interest rights" had been compromised. Attorney Graham explained that, based on a previous judicial ruling, the Utility's billing provides adequate information regarding the status of the account. There is no specific legal requirement that mandates how consumers will be advised on this status. A consumer can contest the amount of their billing however they are governed by the laws of contract they have entered into to receive power.

Attorney Graham was thanked for his time and he exited the meeting at 3:09 p.m.

The 2007 Budget Review was held at this time. Resolution 06-13 "A Resolution Authorizing Adoption of Budgets" was approved by a motion made by Commissioner Caudell, seconded by Commissioner Kroupa and unanimously carried.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A letter has been received from B.P.A. advising that the Utility's Low Density Discount will remain at 7% for 2007.
2. A letter has been received from Pend Oreille County P.U.D. advising of the legislative luncheon held on November 20, 2006.
3. A letter has been received from the Tonasket Ranger District explaining that information pertinent to the Buckhorn Mine is available on their website.
4. A letter has been received from the Northwest River Partners advising that the Utility's 2007 membership will be \$1,000. Commissioner Kroupa added that he has attended a NW River Partners meeting and it seems to be a very active group. The new president is John Saven.
5. Notification has been received that the Eagle Cliff Grange Membership is now due. As in past years, Manager Weller will personally pay the \$41 membership fee.
6. The 2007 Washington Cattlemen's Association membership has been paid.
7. APPA is requesting nominations for the 2007 APPA Board. Commissioner Caudell explained that the current representative is from Douglas County P.U.D. and has not made a decision to continue. If he does not, Lewis County P.U.D. will nominate a replacement.
8. A letter has been received from the Republic Regional Visitor's and Convention Bureau explaining that this organization is entering its 6th year and is again requesting financial support. After a discussion, a motion to support in the amount of \$250 was made by Commissioner Caudell. The motion was seconded by Commissioner Kroupa and unanimously approved. Manager Weller was asked to hand deliver the warrant and share the information gathered from the Telecommunications Committee.
9. A letter has been received from The Gym advising that they are offering a special for renewing clients.
10. Each year NWPPA asks for nominations for the Milton Hunt Award in Engineering and Operations. Discussion was held on possible names to submit.
11. A letter has been received from Ferry/Okanogan Fire District #13 requesting support of the Edith House. The Board was in concurrence that they would again provide \$100.
12. A letter has been received from Mr. Dave Hittle of D. Hittle & Associates, thanking the Utility for the continued use of their engineering services. Former Clallam P.U.D. Manager, Dennis Bickford, has recently begun working for this group.
13. A letter has been received from the Curlew Lake Association thanking the Utility for supporting the project and asking for sponsorship of either individual fish tags or help with operating costs. The Board was in concurrence that they would again sponsor the program in the amount of \$100.
14. A letter has been received regarding the number of fatalities associated with vehicles hitting power poles. The letter asks that poles be moved further from the roadway.
15. Information has just been received on the Heart Start AED's and an analysis has yet to be done.
16. A notice has been received from the Pine Grove Water Board advising that they were issued orders of non-compliance and that corrective action has been taken.

Meetings:

1. The Annual WPUDA meeting will be held December 5 through 7. The possibility of Commissioner Elect Davis attending the meeting was presented to him. There is also the possibility that he may be able to travel with Conservation Director Friederichs.
2. A summary of the 2007 WPUDA meetings has been received. Commissioner Caudell advised that the Utility is to make his reservations when he is WPUDA President and to assume that he will be attending all meetings.
3. The Ferry County Cattlemen's Annual Association dinner will be held on December 5 at the Eagles. The meeting will beginning at 3:00 p.m. with the dinner scheduled for 6:00 p.m.
4. The Public Power Council's 40th Annual Membership meeting will be held at the Sheraton Airport Hotel in Portland on December 14. Commissioner Kroupa will not attend. The ballot to elect new officers was completed.
5. The Northwest Power and Conservation Council will be celebrating the Power Act of 1980 on December 14.
6. The NWPPA Engineering and Operations Conference will be held in April.

General Business:

1. The group employee photograph taken during Public Power Week was shown.
2. A telephone call was received from Toni Timberman, B.P.A. Account Executive for the Transmission side. She explained that it is time for the Utility to update the NERC registration. B.P.A. is assessing the matter as the Utility initially was listed as a distribution provider and is now listed as a load servicing provider because of the help provided to B.P.A. during the load problems several years ago when the Echo Bay Mill was able to shut down to save that load. We have been advised not to register until all of the information is obtained.
3. Mr. Ken Hustad has provided a revision to the Power Sales Agreement as Benton and Franklin P.U.D.'s will be purchasing the power generated by Packwood in 2007.
4. Power Engineers is working on the long-range plan.
5. The Franson Peak Interlocal Agreement/Memorandum of Understanding between Ferry County, the Department of Homeland Security and the Utility was presented to the Board for their signatures. The County has ownership of the property, the Utility is the owner of the fiberglass building and Homeland Security will provide emergency electric generator and fuel in the event of an outage.
6. The emailing to the Board regarding the information to be provided to TEDD regarding a strategy was provided based on Commissioner Caudell's comments.
7. The wire bids for the Kinross project were opened November 16. General Pacific was selected at a cost of \$226,284. All of the bids contained an escalation clause which will allow the price to increase prior to placing the actual order.
8. Previously, the Utility was asked to participate in the WPUA Solar Working Group, specifically, John Friederichs. In a recent email, Mr. Friederichs name did not appear in the listing of those in the group. The Board was in agreement that Mr. Friederichs should participate if at all possible and Manager Weller will follow-up.
9. The Board was questioned as to their wishes for the Utility to host a Holiday Dinner. The Board was in agreement that this is always a pleasurable event and that Manager Weller should move forward with arrangements.
10. At the current time, District personnel will begin actual input of information into the new computer system beginning that last two weeks of January. Training will be both at the Utility and via the Internet. Verizon has begun the installation of the T-1 line. PCS has advised that the Utility will be able to utilize their satellite for back-up if the T-1 fails. The Utility would be charged for the band width for the satellite. Information is still needed on the maximum and minimum band width that will be needed.

Commissioners Reports:

Commissioner Kroupa:

1. Attended the Energy NW meeting.
2. Attended the NRU, PPC and NW River Partners meetings

Commissioner Caudell:

1. The majority of the PPC staff have resigned. Not certain what will be happening next.
2. Questioned the Energy NW reserves and the direct pay arrangements. It was explained that the Utility no longer pays Energy NW a portion of the B.P.A. power payment. All payments are made to B.P.A. and they make payments to Energy NW.
3. Information on the average revenue per kWh was discussed.
4. B.P.A. Administrator Steve Wright has stated that, at the present time, B.P.A. has 1.19 billion in reserves. The direct pay program has helped them. Is there still a need to increase rates to utilities?
5. Attended the Telecom Conference on November 20. Was very informative. The Republic TV Association is moving forward with the installation of additional towers and backbone.
6. The Utility's Revolving Loan fund can be used for economic development and a potential local need is TEDD.
7. The P.U.D. Association adopted a budget increase of 7% based on the new Energy Services Director position.
8. As WPUA President, his agenda for the year will be to empower the Commissioners as this is who the Association is for, not just the managers.

A Revolving Loan meeting was scheduled for December 18, 2006 following the regular Board Meeting.

Lobbying: None

With no further business to come before the Board, the meeting adjourned at 5:47 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager