

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY  
REGULAR MEETING OF COMMISSIONERS  
December 18, 2006

The regular meeting of the Board of Commissioners was called to order by President Kathy Ciaias at 9:08 a.m. Present were Commissioners Kathy Ciaias, Gregg Caudell and Chris Kroupa who joined the meeting at 9:20 a.m., Manager Roberta Weller, Attorney Steve Graham who joined the meeting at 10:15 a.m., Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen.

Visitors: Commissioner Elect, Nathan Davis.

All stood for the Flag Salute.

Reports:

Conservation Director John Friederichs joined the meeting at 9:15 for the purpose of presenting the Conservation report:

1. Information on the Renewable Energy Cost Recovery Proposal was presented to the Board. The Utility's question to the Department of Revenue regarding the program qualification of those off-grid customers who have purchased a solar system has been answered. The Department of Revenue has determined that these individuals will qualify for an incentive rebate under this program. One of the purchasers has been contacted and is very interested in pursuing the program. Commissioner Caudell requested that the Agreement be reviewed by the Utility's Attorney prior to implementation of the program.

Commissioner Caudell reported that volunteers are being sought to be a part of a B.P.A. Conservation Study Group. His concern is that only individuals from larger utilities will participate leaving smaller utilities such as ours out. Mr. Friederichs explained that he participated in the B.P.A. Post 2006 Conservation Program committee which is no longer functional and attended one other conservation-type meeting which was sponsored by the WPUA.

2. Still no significant changes in the B.P.A. Post 2006 Program. The question has arisen whether General Pacific will be able to sell the Marathon Brand hot water heaters to retailers. If this will be possible one local business will be selling the water heaters.
3. The grocery store cooler surveys have been completed by the PECI representative. Ten businesses were interested in participating in the survey. The representative will be working directly with those businesses who chose to participate further in the program. Several utilities have contacted us to gather information regarding the program and the results.
4. The Hospital PV system project is moving very slowly. The new facility still has yet to be fully approved and, due to the weather, the PV system will be installed this coming spring.
5. Have been contacted by Senator Cantwell's office regarding the Wood Waste-to-Methanol project. We have been advised that there will be no decision made on the funding in 2006. The funding proposal may be included in a bill to be introduced next session. Commissioner Kroupa stated that the Forest Service would need to be committed to making this program work by providing waste material.

Commissioner Caudell presented information on a presentation made by a House Speaker on the potential increase in the production and use of ethanol. He also explained that the State of Washington has a surplus of renewable credits due to hydro production of energy. These credits are very valuable and should be an incentive in the construction of renewable generation.

6. There is still no additional grant funding information available on the RUS Website. There is however, information on loan funding for solar installations.

Commissioner Caudell reported that there is a small hydro plant located on Sheep Creek which may be available to purchase. He asked that Conservation Friederichs look further into the project.

Mr. Friederichs was thanked for his report and he exited the meeting at 9:50 a.m.

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

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of December 10, 2006 were \$1,473,827.48 with restricted funds of \$1,428,988.88. There was twelve outages in the month of November for a year-to-date total of one hundred thirty-seven compared to one hundred one for the same period in 2005. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed.

Attorney Graham joined the meeting at 10:15 a.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 24120 through 24223 in the amount of \$164,033.94 and Payroll Warrants Numbers 009202 through 009221 in the amount of \$46,060.63 and Numbers 009222 through 009244 in the amount of \$47,616.85 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. The Board discussed B.P.A.'s change in billing structure. B.P.A.'s billing

information, as provided to the Utility, will be provided to the Board. The Residential Exchange was also discussed briefly. Commissioner Caudell reported that he met with the Deputy Secretary of Energy who made a deposition regarding the Regional Act. He also pointed out the information provided to the Board, which shows that of the 50 utilities polled, 17 had rates higher than the IOU's. He stated that B.P.A. should go back to the law and questioned whether the Board was in agreement with that statement. The Board did concur.

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

1. Attended the WPUDA's Attorney training in Seattle which was held in conjunction with the Annual WPUDA meeting. This is a very interesting one-day session although the attorneys are segregated from the rest of the P.U.D. activities. Items reviewed at the meeting included public records request for electronic documents. There are methods available to recreate an electronic document to include all previous editing changes and this is of concern. Attorney Graham asked that Manager Weller contact him for his approval of all requests for information. There are new ethics rules for attorneys that represent governments i.e., when he talks with someone such as an employee rather than the Manager or the Commissioners, the employee should not expect the same confidentiality from the attorney as is granted to the Manager or Commissioners. Per diem expenses for the trip will be submitted to the Utility. Commissioner Kroupa further questioned providing electronic documents if requested. Attorney Graham advised that the Utility could provide paper copies of the information, charging for each copy with no charge for the search time. He again stated that Manager Weller was to contact him regarding each request of information so that the proper procedures could be followed.
2. As per the Board's request at the November Board meeting, research of the requirements for security deposits was completed. Washington law is very clear that governmental utilities are not required to pay interest on the amount of the held deposit. Also discussed the current security deposit requirements with other attorneys. The requirement of paying the two highest months, holding this amount for one year and holding this amount for another year if the payments have not been appropriate, seems to be in keeping with other utilities. Feels that the current deposit policy is acceptable.
3. Update of the current court decision regarding the Steinbock case. A portion of the Steinbock's lawsuit included a request seeking a court order directing the Utility to reinstitute their electrical service. The law does not allow the court to do this although Judge Christensen allowed the Munger case, Judge Neilsen questioned what laws governed. It was also pointed out during the court proceedings that the Steinbocks are receiving power from a neighbor through the use of extension cords.

The Board went into Executive Session at 11:09 a.m. for approximately fifteen minutes to discuss pending litigation. The meeting returned to Regular Session at 11:30 a.m.

4. Information on the WISHA settlement was presented. One of the criteria is that the Utility provide additional safety training and the current safety trainer, ESCI, is acceptable.

Manager Weller will be setting up a telephone conference call with the Kinross Manager, Attorney Graham and herself in the immediately near future.

Commissioners Reports:

Commissioner Ciaia:

1. Attended the Annual WPUDA meeting and had a wonderful time.

Commissioner Kroupa:

1. Attended the Annual WPUDA meeting. Was very interested in the information provided by the new FERC Commissioner.

Commissioner Caudell:

1. There has been a significant change in the PPC staff. There are very distinct differences between previous director Jerry Leone and Marilyn Showalter.
2. The General Council for the Department of Energy spoke on the IOU, public power and DSI issue. Some of the DSI's are asking for an additional 500-megawatts and that they be permitted to continue to be the historical Bonneville customers that they have been.

General Foreman Randy Sage joined the meeting at 11:43 a.m. for the purpose of presenting the General Foreman's report.

1. The crew has between two and three weeks of actual line extension work to be completed.
2. Pole testing is being done in Keller near Alice Flats. The poles tested this year are within 100 poles of the yearly total of 1,300. Work has been completed from Nanamkin Creek south to Keller, Republic west to Wauconda and on further west to a point between the Okanogan P.U.D. and Ferry P.U.D. then north on the line to Lost Lake and approximately one-mile south of Bonaparte Lake. The poles are tested in various elevations to give the crew more flexibility in the spring when the poles are being replaced. At the present time, all poles are tested, including those newly installed as there is an environmentally friendly chemical rod inserted in each pole. The rods help deter any fungus or bacterial growth and are replaced every ten years.
3. System maintenance will begin when the line extension work is completed.
4. Four poles were lost north of Keller early Thursday morning due to wind. The crew was able to replace the damaged poles and restore service later that day. There was one wind related outage in the Republic area. There were three logging related outages in the Keller area at 21-mile. It has been explained to the Tribe that the Utility does not want this to happen in the future. The Tribe will be billed for the repair costs and they in turn will work with the logging contractor.
5. The information regarding the vehicle that struck the pole in November has finally been obtained and the insurance company will be billed. The Utility has been reimbursed for the damage done to the street light.
6. It was explained that the Utility did not install the holiday lights on the streetlights this year. The Utility does pay all energy costs associated with these decorations.

Commissioner Caudell thanked General Foreman Sage for his attendance at the Annual WPUDA meeting. General Foreman Sage in turn thanked the Board for making the trip possible. Manager Weller added that members of the WPUDA are looking forward to visiting Republic again for the meeting on September 12, 13 and 14, 2007.

The meeting recessed at 12:10 p.m. for lunch reconvening at 1:10 p.m.

Commissioner Caudell continued his report.

3. The Renewable Portfolio Standard work plan initiative passed. The WPUDA will be working with CTEDD to craft the rules that are going to be enforced. Three groups will be formed, renewed resource renewable energy work group, cost calculations work group, and the conservation work group.
4. Recommended that Commissioner-elect Davis attend as many portions of the January WPUDA meeting as possible as the meeting is held in conjunction with the New Commissioner Orientation.
5. The WPUDA's telecom committee has been inactive for some time and the Managers Section has asked that it be reactivated. The committee will be staffed and financed through utilities so that there is no additional impact on the WPUDA budget. It is important that the committee remain a part of WPUDA so that all utilities are represented. The Governor's Aide on Telecommunications has advised that there will be a study bill on broadband communications and that the Governor has a strong interest in funding a study group through the budget. There will be budgeted funding for private contractors to survey and map areas to learn where the accessibility is located. Will be setting up a meeting with a WUTC Commissioner as well as the Governor's Aide to discuss this issue further.
6. Commissioner Caudell explained that he will use the Wednesday prior to each monthly WPUDA meeting to meeting with people in Olympia.
7. Verizon and QWest will be introducing bills to deregulate the telecom business. Verizon feels that the voice over IP is impacting their revenue and Qwest would like to see a state franchise for cable.
8. The carbon credits and the effect on the whole economy is something that will be affecting Ferry County.
9. May be necessary to travel to Washington, DC for the WPUDA to discuss the Residential Exchange. The WPUDA will finance the trip.
10. Will be very busy ramrodding the WPUDA for the coming year.

The Board further discussed the possible rationale and potential ramifications of the deregulation of telecommunications.

11. Commissioner Kroupa was asked to see that Energy Northwest is made aware that REC, the solar manufacturer in Moses Lake, is interested in talking with them about a potential solar installation. Commissioner Caudell added that the gentleman with REC was very interested in his idea of a huge solar installation in the desert as a solar installation is more feasible than wind. Senator Morton has seen that tax incentives are available for producers who install in the State of Washington.

Nathan Davis joined the meeting at 1:43 p.m.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. A card has been received from the lady who was responsible for bringing the railroad putter cars into Republic. Several of the Utility's 2007 calendars were sent to her as the featured photograph is of the putters on the railroad trestle.
2. A letter has been received from the Republic Visitors and Convention Bureau requesting support for purchasing and printing bags to be used at the various shows the Bureau visits. Each supporting entity will have their logo printed on the bag. The Board was in concurrence that the Utility would provide \$100.
3. A letter has been received from the WPUDA Communication Director, Dean Boyer explaining that updated information is needed for the 2007 Directory.
4. A letter has been received from B.P.A. regarding the outstanding slice legislation. Information is available on the B.P.A. website.
5. A letter has been received from B.P.A. regarding the long-term regional dialogue. Information is available on their website and public comment is requested.
6. A letter has been received from the Colville National Forest explaining that they will be disposing of the buildings and property at the old Curlew Ranger Station. Three of the buildings are eligible for the National Historical Register and comments may be made through December 29, 2006. General Foreman Sage will be contacted regarding the possible need to expand the substation located in this area.
7. A letter has been received from NWPPA asking for nominations for the NWPPA awards, legislative and regulatory resolutions and nominations from Oregon and Washington utilities for the Board of Trustees. All information is to be received by February 2, 2007.
8. The determination letter received from the Department of Revenue regarding the solar installations was briefly discussed.
9. Pertinent contact information was gathered from Commissioner-Elect Davis for the WPUDA.

Meetings:

1. Harvesting Clean Energy workshop will be held in Boise, ID January 28 through 30, 2007. The Board was in agreement that Conservation Director Friederichs should attend if possible. Commissioner Kroupa will attend if Mr. Friederichs is unable to.

General Business:

1. An update of the new computer system was given. The first lesson was last Friday. All personnel now have an icon on their desktops to connect to the system. Accounts payable input will begin next week. All of the main modules will be purchased and projects and transportation may come later. The contract was emailed for signature and was forwarded to Kim Mikkelsen for her review and she advised that it is acceptable. The Utility

will be doing some of the conversion in-house for the financial side of the general ledger and accounts payable. It will be necessary to purchase some new printers. The network wiring in the building is obsolete and a company out of Spokane will be visiting and developing a bid proposal to rewire the building. They will be asked to include a wireless system in their proposal.

The Board was in agreement that they will meet in the basement meeting room for the Board Meetings.

- At this time it is assumed that the T-1 line has been installed and is functional although there have been several “bumps” and there was a credit on the Verizon billing. Manager Weller will email the bid proposal for wiring to Commissioner Caudell and Commissioner-elect Davis. The redundancy issue has not been resolved although PCS will allow the Utility to use their satellite as back-up. Pricing has yet to be provided for this service.
2. Working with B.P.A. on the Utility’s NERC Registration. B.P.A. has determined that the Utility’s registration requirements are as a distribution provider and a load service provider. Nothing will be completed until additional information is received from Mr. John Saven.
  3. Information regarding the Renewable Energy Cost Recovery Program was briefly discussed. Attorney Graham reviewed the Agreement and advised that it would be acceptable to use. Resolution 06-14 “A Resolution Authorizing Renewable Energy Cost Recovery Program” was presented and approved by a motion duly made, seconded and carried.
  4. Additional information has been requested regarding the heart start defibrillator therefore, no decision has been made. A quote of \$1,560 per unit has been received.
  5. The Memorandum of Understanding for Franson Peak between the Utility, Ferry County and the Department of Homeland Security has been signed and recorded.
  6. The Keller Medical Clinic billing issue has been resolved. They have agreed to pay the charges over a thirty-six month period and a separate billing account has been established.
  7. General Foreman Sage hand delivered a letter to the customer who is providing electrical service to customers whose service has been disconnected for non-payment. The gentleman explained that one extension cord was necessary to keep his water line from freezing. The Utility will continue to monitor the situation. Attorney Graham advised that the Utility may want to err on the cautious side and allow the customer to have the one electric cord for the heat tape. The Board was in concurrence.

Commissioner Kroupa presented a parting gift to Commissioner Kathy Ciaais.

Lobbying: None

With no further business to come before the Board, the meeting recessed at 3:00 p.m.

The meeting reconvened at 6:05 p.m. for the purpose of holding a Revolving Loan Meeting. Those present were Directors Kathy Ciaais, Chris Kroupa, Gregg Caudell, P.U.D. Commissioner-Elect Nathan Davis, Steve Graham, Gail Kuehne, Dan Miller (via telephone), Recording Secretary Roberta Weller, Applicant Don Robertson and visitor Henry Kuehne. The application submitted by Mr. Robertson was reviewed and discussed at length. No decision was made and the meeting

The Revolving Loan Committee met a 5:30 p.m. on December 28, 2006 in the P.U.D. basement meeting room. President Kathy Ciaais was present via telephone conference, so Vice-President Gregg Caudell chaired the meeting. The application of Don Robertson was reviewed. After a thorough discussion it was determined that a letter would be written to Mr. Robertson. This letter would explain that Mr. Robertson would be required to complete the Binding Site Plan and present broader collateral before the Board would reconsider the mortgage request. The meeting was adjourned at 7:30 p.m.

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

\_\_\_\_\_  
President

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Vice-President

ATTEST:

\_\_\_\_\_  
Secretary

APPROVED:

\_\_\_\_\_  
Manager