

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
December 20, 2010

The regular meeting of the Board of Commissioners was called to order by President Nathan Davis at 9:02 a.m. Present were Commissioners Davis, Chris Kroupa and Doug Aubertin, Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke, Attorney Steve Graham and Secretary/Treasurer Jayne Jurgensen.

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

Visitors: Mr. Kim Ingerslev, Professional Computer Systems, Co.; and, joining the meeting at 1:00 p.m. were Mrs. Linda Hall, City of Republic and Mr. Kurt Holland and Mr. Jeff Moran with Varela and Associates.

The minutes of the previous meeting were approved by a motion made by Commissioner Kroupa seconded by Commissioner Aubertin and unanimously carried.

The meeting was turned to Mr. Ingerslev who provided an overview of the service and new products PCS has to offer the Utility. A lengthy discussion of the continued operating issues the Utility has been experiencing while using PCS was held. An itemized listing of the most prevalent issues has been provided to PCS personnel and each item will be addressed. Mr. Ingerslev explained that remedies to some of the issues will be made in an upcoming patch or "release" while some have been resolved while others require further research. The possibility of PCS support personnel visiting the District to assist in problem solving was presented. The Utility would be asked to share in the cost of the travel. Manager Friederichs advised that, in the event of another major upgrade or change, PCS have support personnel at the District when we begin using the upgrade. He also explained that personnel at the District, when working on a new problem with PCS, do not respond well when continually asked "what have you done wrong?". The fact that the software is not operating correctly is not justification for PCS personnel to automatically assume that District personnel are at fault. Commissioner Kroupa stressed that the Utility's customers do not view incorrect billings in a positive light. These issues seriously affect the Utility's standing in the eyes of its customers and in a small, rural area this cannot be afforded. Mr. Ingerslev explained that he brought another customer receipt printer in hopes of resolving the problems with the one the Utility purchased. Mrs. Nush clarified that the receipt printer being used was purchased based on information and recommendation received from PCS. Manager Friederichs stressed that, in those times when the PCS system is inoperable, the Utility grinds to a halt and one person is taken from their regular duties to work on PCS. This Utility does not have the luxury of having a dedicated computer repair person and regular work is falling behind. The billing in the amount of \$10,000 for the October upgrade has been received. Payment is pending as the Utility is not to pay for material not received and, at this time the software is not working properly. Commissioner Davis stated that, for a small utility with 3,200 customers, the amount of money spent on the PCS system is considerable. The Utility has passed the third year of using the system and it is still not working properly and the continued expenses associated with a system that isn't working correctly are very difficult to accept. Commissioner Davis added that the Utility is nearing the point of changing systems in order to cut the losses. The possibility of the Utility's Internet service creating the problems was presented by Mr. Ingerslev and he suggested the Utility improve this service. He asked that the Board allow him two weeks time to resolve the issues provided on the itemized listing. Commissioner Aubertin stated that he has also considered moving to another system but, if the issues can be resolved to the District's satisfaction then that would be acceptable. Mr. Ingerslev again stressed that PCS has new software available to help the Utility with such areas as engineering, improved customer service as well as automated meter reading but would not consider recommending those until the Utility was comfortable using the existing software. He thanked the Board for their time and added that he would be very happy to visit with them in the future to discuss upgrades and exited the meeting at 10:15 a.m.

A recess was declared at 10:15 a.m. with the meeting reconvening at 10:20 a.m.

The Board and staff discussed the PCS issues.

Reports:

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

1. The crew has been short handed for the past several weeks due to vacations.
2. The service truck is again being repaired for a continuing problem.
3. The work on the 34.5 West has been completed and the over current protection set back to normal.
4. Line extension construction work has been completed for the year. Nothing new is scheduled.
5. Pole replacement work is in progress in Rose Valley.
6. An infra-red scan of the system is being completed.
7. Oil tests will be completed on substation transformers.
8. It may be possible to drop voltage system-wide. Research is being completed on the process and effects. Would result in costs savings to the Utility as well as customers. The largest load density is around the sub-stations, the Utility is required to keep 114-volts at the meter and line regulators would be used to ensure those customers at the end of a line would be receiving the correct voltage.

Mr. VanSlyke exited the meeting at 10:47 a.m.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A news article, speaking to the looming B.P.A. rate increase, and to be published locally in December was presented and reviewed. Has visited with State Representatives and an individual with the Department of Commerce regarding the increase. An increase such as the one proposed may certainly eliminate any economic development in rural areas even though the State and Federal Governments put monies into small areas specifically for economic development. It is time to begin a letter writing campaign directed towards B.P.A. Still working with B.P.A. to learn how the increase and associated information was developed. The information has been provided to Mr. Oscar Armendariz at B.P.A. for his help in developing a more realistic load forecast. This information will then be provided to the Utility's Account Representative. Under the current increase structure, the larger utilities will be assessed a small increase whereas the small utilities will be assessed a significantly larger increase.

Meetings:

1. The PPC Annual Report has been received and is available. The first meeting will be held February 2 in Portland. Commissioner Kroupa will attend.
2. The WPUA meeting has been scheduled for January 12 through 14. Commissioner Davis will attend with Manager Friederichs attending via conference call.
3. The NWPPA Annual Meeting will be held in Reno, NV May 22 through 26 at the Silvery Legacy Hotel.

General Business:

1. The possibility of again becoming a member of Northwest River Partners was presented. Annual membership is \$100.00. A brief discussion of the organization and the potential benefits to the Utility was held. A motion to rejoin Northwest River Partners was made by Commissioner Kroupa, seconded by Commissioner Davis and unanimously carried.
2. B.P.A. Account Representative, Ken Hustad, has advised that the Utility's High Water Mark will be calculated and the information made available by March of 2011. The High Water Mark in each rate period will vary somewhat as it will be adjusted to the Tier 1 capability as the system capability is no longer fixed. Utilities must now declare what their planned conservation dollar expenditure will be with this amount reducing the High Water Mark. B.P.A. may also assess CRAC charges again.
3. Resolution 10-16 "A Resolution to Adopt an Electronic Communications and Internet Usage Policy" was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Aubertin and unanimously carried.
4. Resolution 10-17 "A Resolution Supporting NWPPA's Health Reimbursement Arrangements" was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Aubertin and unanimously carried.
5. There were no bids received for the sale of the surplus truck. Extensive advertising was done through various publications. The truck will be brought to the shop and will be re-advertised later in the year.

The meeting recessed at 12:01 p.m. for lunch reconvening at 1:10 p.m.

Mrs. Linda Hall, City of Republic and Mr. Kurt Holland and Mr. Jeff Moran with Varela and Associates joined the meeting. Staking Engineer Steve VanSlyke joined the meeting at this time.

Mr. Moran explained that during the installation of the new City pumping system it was discovered that the electrical service provided to the installation was of a non-standard voltage which will create issues with the control system. A lengthy discussion of the existing service and the Utility's options to correct the matter was held. It was identified, that based on the increased load for this service which is now serving the new Pine Grove water system, that the Utility can provide the new transformer which will be required to correct the problem. Mr. VanSlyke will proceed with obtaining either a new or good used transformer and will advise Varela and Associates when the work is scheduled to be completed. Varela agreed to have the appropriate personnel on-site when the transformer is installed. The Board was thanked for their time and the group exited the meeting at 1:42 p.m. A brief discussion of the ownership of the transformer followed. It was clarified that the Utility will own the transformer and the City will pay for the installation.

A recess was called at 1:47 p.m. with the meeting reconvening at 1:52 p.m.

The Board briefly discussed possible payment of the purchase of the transformer for the City through the Revolving Loan Fund. Attorney Graham advised that the Board had already made the decision that the Utility will bear the cost of the upgrade.

The Attorney's Report was presented by Attorney Graham:

1. Legal work is again being done with regard to the Steinbock vs. the P.U.D. case. The case is now with the Washington State Supreme Court.
2. Research has been completed in reference to the Revolving Loan customer who wishes to change the collateralized property which was secured for the loan. The customer has been asked to contact the Utility to discuss the matter in detail.

The Conservation Report was presented by Manager Friederichs.

1. The primary focus for the program in 2011 will be low income.

Commissioners:

Commissioner Kroupa:

1. Attended no outside meetings.

Commissioner Aubertin:

1. Attended no outside meetings.

Commissioner Davis:

1. A special TEDD meeting was called but was unable to attend. Has learned that the Executive Director has been relieved of their duties and the position is being filled temporarily by the loan officer.
2. Attended the Annual WPUA meeting with highlights presented.
3. Brought the possibility of a 2011 wage freeze for Utility personnel up for discussion. Manager Friederichs reported that the Union Negotiations will not be completed until April 2011 therefore no information as to an increase for Union employees is not available. Commissioner Davis reported that he has spoken with several other managers and commissioners and other utilities are already implementing freezes. The Board can stop cost of living increases for management by either passing a resolution or with direction to the Manager. Commissioner Kroupa stressed that he wanted all personnel treated equally as, in the past all employees were not given a wage increase. He further questioned whether the matter could be discussed with employees prior to implementation. Manager Friederichs explained that management personnel normally receive a general cost of living increase and an annual step increase on their anniversary date. The Board agreed that the annual step increases should also be held. Manager Friederichs asked that he be given the latitude to award step increases dependent upon the position. Commissioner Davis expressed concern regarding the salaries paid to Utility personnel and how much higher these wages are compared to other employers in the County. No decision was made.
4. The possibility of developing another employee survey was brought before the Board for discussion. All Commissioners were in agreement that this could be a beneficial tool. Commissioner Davis and Manager Friederichs will develop a survey.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of December 10, 2010 were \$844,184.61 with restricted funds of \$1,660,954.62. There were six outages in the month of November for a year-to-date total of one-hundred fifty-four compared to one hundred thirty-three for the same period in 2009. The Revolving Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed. A B.P.A. payment history, a listing of total funds available and a rate increase summary were provided for information.

Attorney Graham exited the meeting at 3:33 p.m. returning at 3:37 p.m.

The Auditor's Report was presented by Sue Nush:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 6711 through 6862; direct payroll deposits numbers 9901054 through 991083 and Electronic Fund Transfer number 141 through 145 in the total amount of \$517,650.75 were approved by a motion made by Commissioner Davis, seconded by Commissioner Kroupa and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board. Another spreadsheet calculation error has been identified and corrected. Prior information was not presented accurately. Financial data for the month of November is reflected correctly.
3. Working with the State Auditor regarding the 2009 Financial Audit. Information thought to have been provided to the Auditor's had not been received by them. They are hoping to have an exit interview before the end of the year but no date has been set.

Lobbying: None

Manager Friederichs reported that the Annual Employee Awards Dinner will be held on Monday, January 24 beginning at 6:00 p.m. at the Carousel Building. The meal will be catered by The Baker's Stone.

Attorney Graham exited the meeting at 4:05 p.m. returning at 4:10 p.m.

With nothing further to come before the Board, the meeting adjourned at 4:10 p.m.

A Special Meeting was called on December 30, 2010 at 12:34 p.m., under RCW 42.30.080, for the purpose of meeting with the Washington State Audit Team. Present were Commissioners Davis, Kroupa and Aubertin, Manager Friederichs, Auditor Nush, Treasurer Jurgensen and Juan Esparza, Brandi Pritchard and Traci Walker of the State Auditor's Office.

The Utility was advised that no concerns were identified for the January through December 2009 period covered by the Audit.

The meeting adjourned at 1:04 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager