

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
November 17, 2014

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:01 a.m. Present were Commissioners Kroupa, Fagerlie and Aubertin; Manager John Friederichs, Attorney Graham, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke, and Treasurer Jayne Jurgensen.

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

Visitors: Nathan Davis, Reed Heckly, Ann Agent and Nancy Schimmels.

The minutes of the October meeting were approved by a motion made by Commissioner Aubertin and seconded by Commissioner Fagerlie.

The meeting was turned to the visitors:.

Ann Agent explained that she was representing the Republic Chamber of Commerce Fireworks fund-raising campaign. Mrs. Agent asked that the Utility allow a solicitation letter to be included with a monthly billing to help bring in the needed revenue. A discussion followed with the Board agreeing to add wording on a billing, after the first of the year, to help stimulate interest in the event. Mrs. Agent will provide information to Manager Friederichs.

Mr. Heckly spoke with the Board with respect to the Utility's current debt status and the anticipated changes when the Kinross mining activity draws to a close. Manager Friederichs explained that several scenarios have been developed for the pending mine closure. Until the time actually comes, it is not possible to know the full effects. The Board spoke to the debt, in that there is no outstanding debt from the 2012 Storm and that a reserve fund has been increased if such a disaster were to occur in the future. Manager Friederichs added that the true issue the Utility and it's consumer face are the rate changes from Bonneville Power.

Mr. Davis spoke with the Board regarding his desire, when he assumes the duties of Ferry County Commissioner, to maintain an open line of communication between the Utility and the County. Also discussed was his current IT contract work with the Utility. Mr. Davis reviewed necessary changes that will be made to the Utility's computer network system to ensure safety and reliability.

Nancy Schimmels, the Utility's Bonneville Power Account Representative presented an overview of what may be expected in the future from B.P.A. The next rate case will begin in December 2014 with final rates expected in August of 2015 and the rates will go into effect October 1, 2015. The possibility of more FERC involvement and the effects was discussed at length. Commissioner Kroupa questioned whether it would be beneficial if public power should initiate an RTO, a group to manage the transmission of power. He also asked that his question be taken back for discussion. Additional discussion followed with Board questions answered. The Board expressed their concern at the continuing B.P.A. rate increases and the impact such increases will have on the Utility's consumers. Commissioner Kroupa took the opportunity to explain to the visitors that a 7% B.P.A. rate increase to the Utility did not necessarily mean the same rate increase to the consumers. Ms. Schimmels thanked the Board for their time and exited the meeting at 10:17 a.m.

A recess was called at 10:17 a.m. with the meeting reconvening at 10:30 a.m. The visitors did not return to the meeting.

Reports:

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

1. The Crew has moved into the fall maintenance type work.
2. Oil samples have been taken from the various substation transformers for routing testing.
3. Power Engineers has completed a work order inspection to make certain Utility work is being completed according to published standards.

4. The Crew has been assisting with the annual meter reading of seasonal accounts.
5. Extra maintenance of the solar systems is being completed. New replacement batteries have been ordered for several of the systems.
6. An infra-red scan of the system will be scheduled. Best results occur on a cloudy, overcast day.
7. The contract tree trimming has been completed for the year and all equipment has been removed.
8. The Crew is doing excellent work. They respond to anything that comes up and are working well together.

Commissioner Kroupa questioned the increase in outages attributed to equipment failures compared to 2013. Mr. VanSlyke explained that there was significantly more lightning activity this summer and storms can destroy equipment.

Mr. Vanslyke was thanked for his time and he exited the meeting at 10:36 a.m.

The Board went into Executive Session for twenty minutes at 10:37 a.m. to discuss potential litigation as per RCW RCW 42.30.110 Subsection 1, paragraph I. The Board returned to regular session at 10:57 a.m.

Attorney Graham advised that he had no report to present.

The Manager's Report was presented by Manager Friederichs:

Correspondence:

1. A thank-you has been received from the Republic High School Yearbook Staff for the Utility's sponsorship.

Meetings:

1. Information from the October Manager's Meeting was presented. Steve Wright, Chelan County P.U.D. Manager, is leading a Government task force studying the carbon tax, cap & trade program. Have received the annual Fuel Mix report from the State. Information submitted by the Utility has been massaged by the State to reflect that the Utility receives power from coal. It appears that all of the B.P.A. full requirements utilities have been given the same fuel mix by the State. This revised mix could require the Utility to pay the carbon tax as the Utility has now been classed as a carbon emitting utility. This topic is on the Manager's Meeting agenda for the Annual WPUDA Meeting. The new, special agricultural businesses have caused several utilities to use their remaining Tier 1 power. Some utilities are initiating new large load policies based on Tier 2 market rate. One utility has created a special ag rate of 500 kw new or additional load. Most utilities seem to be using an opt-out language in rate policies which allows for disconnection of service if B.P.A. ceases to provide service because of this specific agricultural use. Brief discussion regarding the existing Rate Schedules and possible changes or additions. No decision was made.
2. Commissioner Fagerlie and Manager Friederichs will attend the Annual WPUDA Meeting in Vancouver, WA.
3. Commissioner Fagerlie will attend the November WPUDA Meeting. Manager Friederichs will not attend the November Executive Committee meeting.
4. Commissioner Kroupa will participate in a no-cost webinar tomorrow.

Commissioner Fagerlie questioned whether the Utility had considered the use of removable stickers for use by contractors working for the Utility. Manager Friederichs advised that the Utility does have magnetic stickers for use by contractors and this practice has been in place for a number of years.

General Business:

1. Information is still pending regarding the Utility's exclusion from the electric and alternative fleet vehicle requirement. Have requested inclusion in the emergency vehicle exemption as all of the Utility's vehicles can be used during an outage and all carry equipment and personnel.
2. The Carlton Complex Fire resulted in Okanogan County P.U.D. replacing just over 600 poles and an additional 400 still need to be replaced. Our crew was given T-shirts for working on the fires.
3. The structure of the next rate hearing was briefly discussed. The possibility of including more educational information was considered. Review of the Rate Schedules with the public was also

discussed, specifically the need for a special ag rate. The local newspaper publisher will be invited.

4. Solar and net metering customers were discussed. The Utility has one true net metering customer with three solar and not net metering. Other utilities are developing special classes for such customer with varying rates. A rate study could be done to help define the varying classes of customers. This type of study could be costly with an uncertain outcome.
5. A PPC Ballot for the filing of vacant positions was reviewed by the Board.
6. The Annual Awards Dinner has been scheduled for January 26.

The Conservation Report was presented by Manager Friederichs:

1. Work continues on window projects.

Commissioners:

Commissioner Aubertin:

1. Attended the Energy Northwest quarterly meeting and the Member Forum.

Commissioner Fagerlie:

1. Presented information pertinent to a WPUA resolution to be voted on at the next meeting. A brief discussion followed with the Board in favor and Commissioner Fagerlie authorized to vote in support of modification of the energy independence act to support clean energy programs.
2. Questioned whether the P.U.D. legislative luncheon was acceptable for commissioners to attend as more than one commissioner was in attendance and business was being discussed. Further questioned was whether the regular meeting should have been recessed the regular meeting and advertised the Legislative Luncheon as a public meeting. Attorney Graham explained that as long as our Board was not making decision together and were solely discussing matters with other utility commissioners the meeting was acceptable. He recommended that our Commissioners not sit together as a group. Manager Friederichs added that the event is sponsored by Pend Oreille County P.U.D. and that all attendance is by invitation only. Manager Friederichs further questioned how our Utility could advertise a meeting scheduled by another utility. Attorney Graham again stated that attendance at the event is acceptable for our Board and nothing different needed to occur for them to attend.

The meeting recessed at 12:02 p.m. for lunch, reconvening at 1:00 p.m.

Commissioner Kroupa:

1. Attended the NRU and PPC meetings. Information from both of these meetings was presented.
2. Attended an Energy Northwest meeting in Portland and is now a member of a joint select task force on nuclear energy.
3. Attended the Energy Northwest Member Forum and found the program very interesting.
4. Presented the possibility of the Energy Northwest group presenting their excellency program to the Utility. Their management process has taken them from being on the verge of losing their licensing and being at the bottom of their evaluation scoring to the top in just three years. Their program is Excellence in Governance and includes how board members interact, organizational policies and improvement in communication. The program has been presented to one utility comparable to ours and, at this time, is done at no cost. The Board was in agreement that this could be something of benefit to the utility and the Board, Manager, Attorney, Auditor and Treasurer could participate. Manager Friederichs was asked to contact Energy Northwest regarding the possibility of a presentation in January. Attorney Graham questioned whether this would be part of a regular Board Meeting and it was decided that the presentation would be a special meeting and advertised as such.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of November 10, 2014 were \$2,460,406.76 with restricted funds of \$1,906,848.71. There were nine outages in the month of October for a year-to-date total of one hundred thirty-seven compared to one hundred thirty-five for the same period in 2013. The Revolving Loan/Grant Fund and the High Energy Cost Loan repayment reports were reviewed.
2. Resolution 14-09 "A Resolution to Write-off Uncollectible Accounts" was adopted by a motion made by Commissioner Kroupa, seconded by Commissioner Fagerlie and unanimously carried.

The Auditor's Report was presented by Sue Nush:

1. An updated 2015 Budget was presented based on the changes requested during the October Public Hearing.
2. The voucher listing was reviewed with the Board and questions answered. Warrants Numbers 12006 through 12105, direct payroll deposits numbers 902600 through 902632, Electronic Fund Transfer numbers 310 through 312 in the total amount of \$545,080.00 were approved by a motion made by Commissioner Fagerlie and seconded by Commissioner Aubertin and unanimously carried.
3. The Financial and Statistical Report was reviewed by the Board with questions answered.
4. Wage & Salary Administration Schedule Number 31-15 was presented. This updated schedule is in conjunction with Resolution 14-06 "A Resolution to Re-Direct Management VEBA Contributions" which was adopted at the September Board Meeting. Schedule 31-15 was signed by the Board President.

With nothing further to come before the Board, the meeting was adjourned at 2:15 p.m.

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

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager