

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
September 17, 2018

The regular meeting of the Board of Commissioners was called to order by President Chris Kroupa at 9:00 a.m. Present were Commissioners Chris Kroupa and Dan Fagerlie, Attorney Steve Graham, Interim Manager Steve VanSlyke, Superintendent Mike Brown, Auditor Sue Nush, and Treasurer Pam Allen. Visitor Jerred Burbank was also in attendance.

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

The minutes of the August meeting were reviewed and approved by a motion made by Commissioner Fagerlie, seconded by Commissioner Kroupa and unanimously carried.

An ex-employee joined the meeting to hear Attorney Graham's update on the District's appeal of an adverse ruling from the Washington State Department of Retirement Systems. An audit found that the Utility had erroneously included a disability insurance premium paid by the District, and the linemen's climbing allowance, as earnings. Attorney Graham is of the opinion that the District will win the appeal on the climbing allowance but lose on the insurance premiums. This will result in two ex-employees receiving a small reduction in retirement benefits. The state will refund the contributions in dispute. Attorney Graham and Auditor Nush will review the state's calculations on the reduction in benefits. The former employee exited the meeting at this time.

The Board went into Executive Session as per RCW 42.30.110 Subsection 1, paragraph i at 9:28 a.m. for ten minutes for the purpose of discussing pending litigation. The Board returned to regular session at 9:38 a.m. Attorney Graham exited the meeting at this time.

A recess was called from 9:38 a.m. until 10:00 a.m. The meeting resumed at 9:59 a.m.

Reports:

The Superintendent's Report was presented by Mike Brown:

1. The Bodie Mountain Project is almost complete. Fire restrictions delayed putting in some poles but now the underground and overhead work is complete. There is a little bit left to do and then the line can be energized after the radio facilities have been put into place.
2. The line crew has been doing construction, as new customers attempt to get power in before winter.
3. Fire restrictions have also limited the work that the tree crew could perform. They were able to take care of danger trees. The apprentice tree trimmer will start attending classes in Spokane on Saturdays as part of his apprenticeship.

The Manager's Report was presented by Steve VanSlyke:

1. Interim Manager VanSlyke has requested that NRU represent the Utility in the TC-20 tariff negotiations.
2. Treasurer Allen, Deputy Treasurer Kammers, and Interim Manager VanSlyke will be attending various WPUDA meetings in October. Cowlitz PUD has a hedging strategy that they will be presenting at the WPUDA Managers Meeting. Interim Manager VanSlyke distributed an informational sheet for the Board members to read and requested that they provide some feedback to him for that meeting.
3. Auditor Nush provided information on the new Washington state paid family and medical leave requirements. Since the District has fewer than 50 employees, it will not be required to pay into the plan, but employees will have to contribute beginning in 2019, with the program providing paid leave benefits starting in 2020. After some discussion, the Board directed Interim Manager VanSlyke to investigate the possibility of the Utility setting up a trust and administering the program itself, rather than paying into state fund.
4. Interim Manager VanSlyke provided the Board with information on proposed Initiative 1631. The Association of Washington Businesses has issued a statement opposing the initiative. They point out that Washington state is already one of the lowest carbon emitters in the US, and that many of the largest polluters in the state are exempt from paying under I-1631. A non-elected public oversight board will be appointed by the governor to decide what to do with the fees that are collected. The State OFM estimates that the cost of gasoline will go up fourteen cents per gallon in the first year if the initiative passes.
5. Commissioner Fagerlie and Interim Manager VanSlyke presented a draft of the letter they have prepared requesting a wider right of way for the BPA transmission lines that come over Sherman Pass. Commissioner Fagerlie has asked for supporting letters from the Ferry County Board of Commissioners and TEDD. Some edits were suggested and will be incorporated in the final letter. It will then be submitted to the Secretary of Agriculture via the offices of Representative Cathy McMorris Rogers and Senator Maria Cantwell.

A recess was called at 11:01 a.m. for two minutes. The meeting resumed at 11:04 a.m.

Commissioner Fagerlie asked Interim Manager VanSlyke if he has talked to the Revolving Loan/Grant Fund Committee members to see if they are still interested in serving. Gail Kuehne wants to continue to be on the committee. Dan Miller has not responded, and has not attended any meetings recently. Attorney Graham would like to be replaced on the committee since being on it, and being the District's attorney, may be a conflict of interest. That will require finding two new committee members - one from the north part of the county, and one from the Republic area.

The interim period as manager for Mr. VanSlyke will end soon. A discussion followed on whether the Board wanted him to stay on as the regular manager, and if a mechanic position then needs to

be filled to cover Mr. Brown's permanent promotion to Superintendent. Mr. Brown told the Board that there is enough maintenance work to require a full-time mechanic. A discussion followed on the level of experience and pay that will be required for the new mechanic. Mr. VanSlyke told the Board that as manager, he wants to do some re-organization of the management team. Commissioner Kroupa agreed that the manager position, under state law has the authority for the overall operations of the Utility, but would prefer to discuss the proposed changes at a future meeting when Commissioner Aubertin is also in attendance. Commissioners Kroupa and Fagerlie both wish to make Mr. VanSlyke the regular manager and directed that a resolution be prepared for next month's meeting.

The commissioners presented information from meetings they attended since the last Board Meeting.

Attorney Graham rejoined the meeting at 11:53 a.m.

The Board recessed for lunch at 11:59 a.m. and reconvened at 1:00 p.m.

The Treasurer's Report was presented by Pam Allen:

1. Operating Funds available as of September 10, 2018 were \$2,501,902.01 with restricted funds of \$3,130,209.87. There were 18 outages in the month of August, for a year-to-date total of 176 compared to 107 for the same period in 2017. The Large Power Summary, Revolving Loan and Line Extension Loan reports were presented.

The Auditor's Report was presented by Sue Nush:

1. The voucher listing was presented to the Board. Cost and usage graphs were presented.
2. Warrants number 17124 through 17216, Direct Payroll Deposits number 904356 through 904394 and Electronic Fund Transfers number 541 through 543, in the total amount of \$474,747.85 were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Fagerlie and unanimously carried.

Auditor Nush presented preliminary budget figures and discussed the methodology she is using to prepare the budget for 2019. The Board agreed to hold the Budget Hearing at the regular Board meeting on October 15th.

The meeting recessed at 2:20 p.m. until 2:30 p.m. for the purpose of a Revolving Loan/Grant Fund meeting. Visitor Jerred Burbank exited the meeting at this time.

The meeting reconvened at 2:30 p.m. Committee member Gail Kuehne joined the meeting at this time. Stonerose Interpretive Center representatives John May, Katherine Meade, Tom Wolken (by speakerphone), and Michael Sternberg also joined the meeting to discuss their request for a grant in the amount of \$15,000 to improve the Stonerose fossil quarry. Commissioner Kroupa said that he believes that it is a good economic development proposal, but that the Fund cannot provide grants to non-profit organizations. Since state funds are involved, a grant would be viewed as a gift of public funds. Commissioner Fagerlie asked Attorney Graham to elaborate on the grant versus loan issue. Attorney Graham researched the issue when the economic development funds were first being established and the opinion was that we could not grant funds to non-profits, but could loan money to them. Some grants have been given to other government agencies. Revolving loan fund also implies that money keeps coming back in to provide funding for new loans. Katherine Meade said that they would prefer a grant instead of a loan but might consider a loan if it was over a long enough time period. Michael Sternberg asked if the purchase of a screener would qualify as a loan. Commissioner Kroupa said that it would, as long as it qualified as economic development and the Fund gets its money back. Auditor Nush added that state auditors do ask that the District confirm the funds are used as requested in the loan. Treasurer Allen and Committee Member Kuehne brought up the need for collateral on any loan. A discussion followed on what Stonerose may want to borrow and for what purpose. Commissioner Fagerlie asked if the Committee could approve a loan, with details negotiated later between Stonerose and Interim Manager VanSlyke. Committee Member Kuehne said that she would prefer to see a low interest loan, in the 3 to 4% range, not a zero interest loan. Commissioners Fagerlie and Kroupa, and Committee Member Graham all wanted to give a no interest loan as done with some other previous non-profit proposals. Michael Sternberg asked if they can get a loan for the work as originally requested, and apply for another loan at a later time to purchase screening equipment. The Committee agreed that they could. Commissioner Fagerlie made a motion that the Committee approve a loan for this project with a payback period of ten years at zero percent interest, with detailed plans to come and collateral to be presented, for up to \$20,000, to be reviewed by Attorney Graham and implemented by Interim Manager VanSlyke. Commissioner Kroupa seconded the motion and it carried unanimously. The Stonerose Board will need to meet and approve a loan request and the re-payment details.

With no other business before the Board, the meeting adjourned at 3:23 p.m.

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

President

ATTEST:

Secretary

Vice-President

APPROVED:

Manager