

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
October 17, 2016

The regular meeting of the Board of Commissioners was called to order by President Dan Fagerlie at 9:00 a.m. Present were Commissioners Dan Fagerlie, Chris Kroupa and Doug Aubertin, Attorney Steve Graham, Manager John Friederichs, Auditor Sue Nush, Engineer/Superintendent Steve VanSlyke, and Treasurer Pam Allen.

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

Visitors: Vicki Watilo, Jim Gaston, and John Steigers of Energy Northwest

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

There were no public comments.

Ms. Watilo provided an update on what Energy Northwest has been working on, and how they are committed to providing safe, reliable, predictable power. Mr. Gaston discussed some of the general manager advisory group initiatives, including providing a list of resources that various public utility districts may be able to provide to each other, and the possibility of joint procurement of supplies by Energy Northwest and other PUDs that may result in quantity discounts for all. They are putting together a proposal with dollar figures. The remainder of the presentation was on the Demand Voltage Response Initiative. Energy Northwest has developed and tested a system to quickly reduce demand for electricity in order to reduce the need for increased electricity generation by BPA. Lowering peak demand for the District would reduce the cost paid to BPA for excess demand charges. Energy Northwest would like to install the system first at Ferry County PUD. The cost is currently estimated at \$120,000 and would be paid back to Energy Northwest with monthly payments based on cost savings, over a period of approximately two and one-half years. The District would have the added benefit of access to real-time data on its system. There would be a management fee paid to Energy Northwest for hosting the system. Commissioner Kroupa made a motion to continue the preliminary investigation of the demand energy response initiative. It was seconded by Commissioner Aubertin and unanimously carried.

The Energy Northwest visitors exited the meeting at 10:18 a.m.

A twenty minute recess was called at 10:18 a.m. with the meeting reconvening at 10:38 a.m.

Reports:

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

1. The crew removed the wooden transformer platform at Mt. Tolman and installed a single phase transformer.
2. The replacement regulators have been installed at the Strassburg Substation.
3. A pole on Clark Avenue was struck by a runaway vehicle and damaged. It has been replaced.
4. The need for a light snow mobile to use during winter outages was discussed. Currently, the District uses the Ranger with aftermarket tracks during the winter. It is slow, and the tracks are hard on the gears and differential. While a snow mobile would not be able to carry the equipment to handle all outages, it would be faster to get to the outage area and determine the problem. Many outages could be handled with basic equipment that could be carried on the snow mobile. The commissioners asked for the repair costs on the Ranger to determine if the cost of a snow mobile was warranted.
5. New construction is tapering off so the crew is doing regulator maintenance and will begin the system inspection. The tree-trimming crew is now working in the Republic area.

Mr. VanSlyke was thanked for his time and exited the meeting at 10:57 a.m.

There was no Attorney's Report.

The Manager's Report was presented by John Friederichs:

Correspondence:

1. A thank-you note was received from Wings Over Republic.
2. The Washington Cattlemen's Association sent a membership renewal request.
3. Commissioner Kroupa made a motion to renew the TEDD membership when it comes up for renewal. Commissioner Aubertin seconded the motion and it unanimously carried.
4. An invitation was received from the Pacific Northwest Utilities Conference Committee to join. Since the District is already represented by the Public Power Council, the request was declined.

Meetings:

1. Commissioners Fagerlie and Aubertin will attend the Energy Northwest Public Power Forum in October.
2. Manager Friederichs will attend the WPUDA managers meeting in Kennewick.
3. Serviceman Baldwin will attend regulator repair school in Portland in November.
4. Commissioner Fagerlie will attend the November WPUDA meeting in Olympia.
5. Commissioner Kroupa will attend NRU and PPC meetings in Portland in November.

The Board went into Executive Session as per RCW 42.30.140(4) at 11:06 a.m. for ten minutes to strategize union negotiations. The Board returned to regular session at 11:16 a.m.

General Business:

1. A quote was received on a new tree-trimming truck. A discussion followed on the cost of purchasing the truck versus leasing it. In order to receive the truck by next May, a commitment must be made now. The current District tree-trimming truck will be red-tagged for its cables next September.
2. Resolution 16-07 to write off unclaimed warrants was unanimously approved by the Board. The money will be sent to the State Unclaimed Property Fund.

Manager Friederichs exited the meeting at 11:42 a.m. to get more information on the tree-trimming truck proposal, returning at 11:51 a.m.

Conservation:

1. No conservation report was given.

There were no Commissioners' Reports.

The Board recessed for lunch at 11:52 a.m. and reconvened at 1:00 p.m. Superintendent/Engineer VanSlyke rejoined the meeting at this time.

The budget hearing was held. The proposed budget assumes that Kinross will close next year, and that Carbon Tax Initiative 732 will pass, with all of the new tax passed on to customers. If I732 does not pass in November, the budget will be adjusted accordingly before it is finalized in December. A discussion followed on the proposed capital items. The highest priority item is the tree-trimming truck. Some capital items in the 2016 budget have not been purchased yet so there are funds that could be applied instead to a down payment on the purchase of the tree-trimming truck this year. Commissioner Kroupa made a motion to commit to getting the truck this year, with the remaining purchase terms in 2017 to be determined based on the down payment made in 2016. Commissioner Aubertin seconded the motion and it was unanimously approved.

Attorney Graham and Superintendent/Engineer VanSlyke exited the meeting at 2:00 p.m.

The Treasurer's Report was presented by Pam Allen:

1. Operating Funds available as of October 10, 2016 were \$2,235,875.30 with restricted funds of \$2,993,358.61. There were 8 outages in the month of September for a year-to-date total of 114 compared to 168 for the same period in 2015. The Large Power Summary, Revolving Loan and Line Extension Loan reports were reviewed.

A five minute recess was called at 2:03 p.m. with the meeting reconvening at 2:14 pm.

The Auditor's Report was presented by Sue Nush:

1. The voucher listing was reviewed with the Board and questions answered. Warrants Number 14206 through 14291, direct payroll deposits number 903486 through 903526, and Electronic Fund Transfers number 422 and 424 through 426, in the total amount of \$568,764.44 were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Aubertin and unanimously carried.

The meeting recessed at 2:33 p.m. until 5:00 p.m. for the purpose of a Revolving Loan meeting.

The Revolving Loan meeting was called to order at 5:00 p.m. with Commissioners Fagerlie and Kroupa, Manager Friederichs, and Committee Member Gail Kuehne present. Commissioner Aubertin joined the meeting by telephone. Dan Miller joined the meeting at 5:10 p.m. Steve Graham was absent.

Also in attendance: Bill Scott and Marshall Summerland

Mr. Scott gave a progress report on his business. He has sold 6 units in the prior two weeks but does not have the cash on hand to complete units for stock. New systems include all the components for a remote or grid tied unit. He would like to increase the outstanding balance on his loan from \$55,000 to \$75,000.

Commissioner Fagerlie asked if the previous abeyance granted to Mr. Scott helped. Mr. Scott replied that it did but that he does not have enough sales to maintain cash flow. He does have a possible distributor in West Africa, but he recently had a truck collapse his bridge resulting in unexpected expense to replace it. This has affected his cash flow. He has some equipment in stock but not enough for the pre-wired "balance of system".

The Board discussed the remaining loan period – through 2023 - and confirmed that Mr. Scott has been making his payments. If granted the additional loan, Mr. Scott would prefer to extend the time frame on the loan instead of increasing the monthly payments. His collateral would be his home. A discussion followed on how to structure the loan, if additional funds were granted.

Commissioner Aubertin asked if Mr. Scott could remain in business without the additional money. Mr. Scott indicated that he could but that the money would help. Commissioner Kroupa asked if TEDD would be willing to loan the additional money. Mr. Miller suggested that TEDD may be able to help Mr. Scott develop a business plan. Commissioner Kroupa inquired if Mr. Scott wanted to sell the business and the answer was no.

Mr. Scott said that he had talked to TEDD and that they wanted an itemized financial history. The time involved in doing this and creating the records was prohibitive due to a mixture of home and business expense. The Board discussed the importance of good basic business practices and financial record-keeping and encouraged Mr. Scott to get his books in order. They were unwilling to extend additional funds at this time but were willing to reconsider if the business process improves.

Commissioner Kroupa exited the meeting at 5:50 p.m.

With no further business to discuss, the meeting adjourned at 5:55 p.m.

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

President

Vice-President

ATTEST:

Secretary

APPROVED:

Manager