Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
December 13, 2011
BOX CANYON CONFERENCE ROOM, NEWPORT, WA

Present: Daniel L. Peterson, President
Curtis J. Knapp, Vice President
Richard A. Larson, Secretary

Staff Present: April Owen, Interim General Manager
Management/District Staff
Jerry Boyd, General Counsel
Karen Willner, Clerk of the Board

Others: Greg Vaughn, Ponderay Newsprint Company

The meeting was called to order at 10:00 a.m. by Daniel L. Peterson, President. The minutes from the November 29, 2011 meeting and today’s revised agenda were reviewed.

CONSENT AGENDA:

Vouchers audited certified by the auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified by RCW 42.24.090, have been recorded on a listing, which has been made available to the Board. As of this date, December 13, 2011, the Board, upon motion by Commissioner Larson and second by Commissioner Knapp, approved the following:

- The minutes of November 29, 2011 meeting and the revised agenda for December 13, 2011 as amended.
- Payment of those vouchers, included in the list referred to above and further described as follows: Voucher No. 76631 through 76812 in the total amount of $664,385.13; two wire transfers in the total amount of $133,739.86; Payroll Voucher (135 ACH) in the total amount of $273,898.89.
- Reserve for bad debt in the total amount of $9,054.77.

BUSINESS FROM THE PUBLIC:

There was no business from the public.

MANAGEMENT REPORT:

April Owen, Interim General Manager:

- She met with Deane Osterman and Ray Entz of the Kalispel Tribe on December 1 to discuss ongoing projects. She will continue to have monthly meetings with Mr. Osterman.

- She met with Gayne Sears of the Forest Service on December 7 to continue to work together on matters. Monthly meetings will continue.

- She met with Derrick Lindgren and Terrie Schucht of Ponderay Newsprint Company (PNC) on December 8 to discuss ongoing topics which included conservation projects. PNC is aware of the District requesting PNC’s opinion in writing on the Residential Exchange matter. Ms. Owen reported it was a good meeting.

- She will have a lunch meeting with Steve Kern and Barbara Green of Seattle City Light (SCL) on December 16 to discuss the Boundary Dam Relicensing and the Albeni Falls Dam operations.

- She attended the Pend Oreille County Board of Commissioners meeting to inform them of her role as Interim General Manager.
She noted a water break in Metaline Falls and that Mark Scott, District Water Systems Manager, will brief the Board in his report today.

She noted an e-mail from Joe Onley, District Community Network System (CNS) Manager, regarding his picture of the Broadband Technology Opportunities Program (BTOP) Grand Opening. The picture is on BTOP’s website.

She reported the Kalispel Tribe is still discussing the 10E payment election. They will make a request to the District on what option they will choose. She will provide more information to the Board in the future.

She reported that all the agencies she has recently met with have asked about the general manager search. All the agencies have mentioned how much they appreciated Bob Geddes’s openness and the relationships that he built. All the agencies have inquired if the Board would like to speak with them. Discussion was held.

Charlie O’Hare, Chief Operating Officer:

He reported that Operations is continuing to work on capital work projects. System Operators will be going to Gonzaga for training.

He reported that Engineering is working on the 2012 Current Work Plan for the capital work on next year’s construction projects and the North American Electric Reliability Corporation audit work for next year. He noted the Kalispel Tribe will be sending a map of the tribe demarcations of boundaries. He will provide more information to the Board in the future.

He provided a Production update and reported the discharge ring liner continues to be worked on and should be completed by the end of this week in order for the new work to start on the inner liner. He reported the turbine project may be two months behind schedule and that District staff is watching this closely. He noted that more decisions will be made in the spring on what needs to occur. He reported that turbine Unit #3 (the second unit to be replaced) needs to be watered up before the river flows reach 100,000cfs to prevent structural damage at the Box Canyon Powerhouse. Discussion was held.

He reported there will be an outage this week on turbine Unit #4 to clean up the items that were incomplete and the defective work that needed to be completed. The outage should be done at the end of this week. He noted that Albeni Falls Dam is notified when the turbine units have outages. Discussion was held.

He provided an overview of the turbine shaft and reported that in the shaft bearing area numerous indications of cracks were found on the surface and deeper down. A follow up test and inspection were performed on the shaft. He reported that at some point, Andritz will be asked to provide a finite element analysis. He provided an overview of the options. He will keep the Board informed. Discussion was held.

He reported he has asked for another electrical type employment position in the budget for next year. He noted there will be Total Dissolved Gas (TDG) design work next year that someone will need to watch. There will also be work at Sullivan Lake Dam next year. There is a concern that current staff will not be able to handle the load.

He reported the Calispell Powerhouse is now generating power.

Discussion was held regarding the damage claims on today’s agenda.

Mark Scott, Water System Manager:

He reported that a joint in a newly constructed water line came apart last Sunday in the afternoon in the Lehigh area of Metaline Falls. The water was turned off and the
watermen restored the water by the following morning. He explained this failure also caused damage to pipes at the nearby pressure reduce valve station. He talked to Knife River and sent a letter regarding the warranty. He detailed the cost of the damage and explained what happened to cause the joint in the water line to come apart. Discussion was held.

He met with the Pend Oreille County Board of Commissioners and Mike Lithgow, Pend Oreille County Community Development Department Director, to discuss a water grant he is pursuing. He will have a formal presentation at an upcoming meeting. He is updating the master plan for the water system.

He reported there were cut locks found at the Metaline Falls Treatment Plant today. No property was damaged or missing and the locks were replaced.

Mark Cauchy, Director, Regulatory & Environmental Affairs:

He reported the TDG Abatement Facility design and plan work is starting and needs to be in operation in 2015. He reported that Box Canyon District staff will be managing the project and he provided an overview of the project. He noted this project is required by Ecology’s Section 401 Water Quality Certification for TDG. Discussion was held.

He reported the Pend Oreille River Temperature Total Maximum Daily Load is still unresolved. The Kalispel Tribe is still in negotiations with the Department of Ecology. He is waiting for the process with the Kalispel Tribe and Ecology to clear up before recommending any further action.

He provided an update on the Albeni Falls Dam winter operations and reported this past weekend Albeni had some dramatic water fluctuations making it difficult for Teresa Carr, District Power Scheduler, to schedule power. He reported that Sandy Hunt, District Power Manager, has contacted Nancy Shimmels at Bonneville Power Administration and the Army Corps of Engineers to schedule a meeting to discuss river flows, power scheduling and forecasting. SCL may be included in the conversation as well. He noted the Lake Pend Oreille meeting will be held tomorrow evening. Discussion was held.

He reported that within the next couple of weeks the appeal period for the water right at Sullivan Lake will be over. If there is no appeal, the District would get the water right. He noted there have been press releases on this topic, but they are incorrect. He clarified that the funds will not be available until 2012 and the funds will be in periodic incremental payments with the first payment starting in 2012.

Rhonda Thomas, Information Technology Manager:

She provided an update on the Information Technology (IT) work for power scheduling and reported that a new MV90xi system to replace the old MaxTrac System was purchased. Implementation and training occurred last week with IT and the Power Scheduling Department. She reported both went well and they will continue to evaluate the features and added functionality of MV90xi.

She reported that in an effort to prepare for the Western Electricity Coordinating Council audit next year, IT is having a mock audit performed on Critical Infrastructure Protection requirements including documentation review.

She reported IT will install a new firewall tonight to replace the current firewall in Newport. They will use a system similar to the one they implemented at Box Canyon Dam earlier this year.

She reported that IT has made substantial progress on the virtualization project.

Elaine Averyt, Treasurer/Customer Services Manager:

She reported that Moss Adams Auditors were at the District last week to do a preliminary audit. They left early on Friday and took a tour of Box Canyon Dam.
She provided an update on the Economic Development Revolving Fund and reported that she has received notice from the Port of Pend Oreille that the Industrial Park Clean-up Project is finished and that they will be returning the remaining money to the fund. The Town of Cusick will also be returning money that was not used. She reported this will allow more money for funding requests.

She distributed and provided an overview of the District’s October Financials. Discussion was held.

John Jordan, Director, Finance & Administrative Services:

He noted the Board Workshop to discuss the CNS Fiber Broadband Project scheduled on today’s agenda.

He provided an update on the PNC Contract and reported there have been a couple of meetings to discuss the changes that PNC would like to see. He and Jerry Boyd, General Counsel, met with PNC’s attorney and Greg Vaughn yesterday.

He reported that tomorrow is the Northwest Open Access Network (NoaNet) Annual meeting. Elections and retail authority topics will be discussed.

Following a 5-minute recess, the meeting resumed.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 40-minute executive session on pending and/or potential litigation was held at 11:24 a.m. The following were in attendance: Board of Commissioners; April Owen, Interim General Manager; Management Staff. The executive session ended at 12:04 p.m. There was no action taken.

Following a 30-minute working lunch, the meeting resumed.

ACTION ITEMS:

- Ponderay Newsprint Company Tolling Agreement. Discussion was held. A motion was made by Commissioner Larson and seconded by Commissioner Peterson to authorize the Interim General Manager to sign the PNC Tolling Agreement. Commissioner Knapp voted no. The motion passed.

- Damage Claim No. DC111611. Based on staff recommendation, a motion was made by Commissioner Larson and seconded by Commissioner Knapp to approve Damage Claim No. DC111611 in the amount of $3,111.62. The motion passed unanimously.

- Damage Claim No. DC112811. Based on staff recommendation, a motion was made by Commissioner Knapp and seconded by Commissioner Larson to approve Damage Claim No. DC112811 in the amount of $416.20. The motion passed unanimously.

COMMISSION REPORT:

Commissioner Knapp attended the Annual Public Power Council meeting on December 8 in Portland. He provided an overview of the meeting.

Commissioner Larson attended the Annual Washington Public Utility Districts Association meeting on November 30 – December 1 in Pasco, the Kalispel Career Training Center meeting on December 6 in Cusick, the Moss Adams Audit exit conference on December 5 in Newport, and the Annual Public Milfoil meeting on December 8 in Newport. He reported the milfoil meeting presentation was informative but there was low public attendance.
COMMISSION BUSINESS:

- Cusick Food Bank Donation Request. A motion was made by Commissioner Larson and seconded by Commissioner Knapp to donate $150 to the Cusick Food Bank. This is a public relations benefit to the District. The motion passed unanimously.

- 2012 Board Meeting Calendar. Discussion was held regarding how this year’s schedule worked and scheduling special evening meetings. The 2012 Board meeting calendar was approved as follows:

  1st and 3rd Tuesdays of the month
  9:00 a.m. Board Workshop and 10:00 a.m. meeting
  District Administration Building, Box Canyon Conference Room,
  Newport, Washington

  5th Tuesdays of any month
  1:00 p.m. meeting
  Box Canyon Dam, Box Canyon Maintenance Shop,
  Ione, Washington

  April – Special Meeting during the week of April 23 in Ione
  Date, Time, and Topics to be determined

  October – Special Meeting during the week of October 8 in Newport
  Date, Time, and Topics to be determined

Commissioner Peterson will attend the Economic Development Council meeting tomorrow at the Showroom building in Newport and the Tri-county Economic Development District meeting tomorrow in Colville.

Commissioner Knapp will attend the NoaNet meeting tomorrow in Seattle.

The Commissioners will attend the Community Leaders Roundtable meeting on January 10 at 12:00 noon at the Kalispel Tribe Wellness Center in Usk. There will be a no host lunch.

Ms. Owen noted the District’s Christmas Potluck Luncheon dates for Newport and Box Canyon Dam.

PUBLIC BUDGET HEARING (continued from November 29):

Pursuant to notice given to the Newport Miner, the Public Budget Hearing was continued from November 29 at 12:34 p.m. There was one member from the public in attendance. Ms. Owen distributed and explained a handout regarding changes to the 2012 Budget. Discussion was held. The hearing closed at 1:38 p.m. A resolution to adopt the budget will occur at the December 20 Board meeting.

BOARD WORKSHOP – GENERAL MANAGER CONDITIONS OF EMPLOYMENT DISCUSSION:

The Board met with management staff to discuss the general manager conditions of employment. Discussion was held.

BOARD WORKSHOP – GENERAL MANAGER JOB POSTING PREPARATIONS:

This item has been moved to the December 20 Board Agenda.

BOARD WORKSHOP – COMMUNITY NETWORK SYSTEM FIBER BROADBAND PROJECT DISCUSSION:
Mr. Jordan explained the CNS Forecast Model regarding the Internet cost rate and the take ratios. Discussion was held regarding the cost and take ratio scenarios, outages, safety, and work orders. He explained various concepts and requested the Board’s input. Discussion was held.

Mr. Jordan explained the proposed retail service provider policies. Discussion was held. Recommended changes will be made and the documents will be shared with potential Retail Service Providers to obtain their suggestions and feedback.

There being no further discussion to come before the Board, the meeting adjourned at 4:43 p.m.

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President

ATTEST:

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Secretary

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General Counsel