

**Skamania County Public Utility District #1
Special Meeting of the Board of Commissioners**

January 31, 2012

A special meeting of the Board of Commissioners was called to order by President Dennis Gale at 9:00 a.m. at the PUD office in Carson, WA. The following persons were present: Commissioner Curt Esch; Commissioner Dennis Gale; Commissioner Clyde Leach; Interim Manager, Robert Gentry; & Auditor, Jasen McEathron.

Commissioner Gale stated the purpose of this Special Meeting is to discuss the transfer of reserve funds from the Disaster Fund and Rate Stabilization Fund to cover cashflow needs resulting from a recent storm and increasing BPA power costs.

Manager Gentry provided a status report on the PUD's work to restore power to customers.

Resolution No. 2384: Defining Purposes for the Rate Stabilization Fund – Auditor McEathron discussed the versions of Resolution No. 2384 - A: Defining purposes for the Rate Stabilization Fund & Granting the Auditor authority to transfer funds in stipulated emergency situations; and Resolution No. 2384 - B: Defining purposes for the Rate Stabilization Fund (RSF) & requiring Board preauthorization on all transfers. Auditor McEathron stated the forming resolution for the RSF did not fully articulate the uses for which the fund could be used for. The proposed resolution establishes more clearly what the Board's direction is for use of the RSF. Auditor McEathron also explained the granting of authority to the Auditor to transfer funds would be in emergency situations between regular commission meetings.

Commissioner Leach asked for an overview of the fund balances in the Disaster Fund and RSF. Auditor McEathron cited the provided cashflow analysis for fund balance information. He also noted the Disaster Fund was initially formed to be \$350,000; but it had accumulated over \$500,000 through generous interest earnings. Auditor McEathron recommended the Board consider increasing the authorized balance to at least \$500,000. Manager Gentry voiced his support for the Disaster Fund being increased, considering the estimated cost of this recent storm is approximately \$364,000. He also mentioned the high cost of substations. Commissioner Leach inquired whether Skamania County had been declared a disaster and whether Federal Emergency Management Agency (FEMA) disaster assistance is available to the PUD. Auditor McEathron explained the PUD has already began the process of pursuing these funds through the WA State Military Department and Skamania County Emergency Management. Commissioner Leach suggested should we be successful in acquiring FEMA funds that the Disaster Fund be replenished by those awarded funds. Commissioner Leach also suggested a transfer of \$300,000 from the Disaster Fund and \$300,000 from the RSF to the General Fund.

Commissioner Gale inquired whether the forming resolution for the Disaster Fund addressed how to replenish the fund when it falls below the \$350,000 authorized balance. Auditor McEathron confirmed that the resolution does not address replenishing the fund. Commissioner Gale suggested a new resolution be drafted that increases the Disaster Fund authorized balance and establish the funding for its replenishment. Commissioner Leach agreed the Disaster Fund is not adequate considering the current cost of business. Manager Gentry inquired as to what possible sources of funding to consider for replenishing the Disaster Fund. Commissioner Gale stated the PUD should not rely upon FEMA disaster assistance.

Commissioner Leach suggested Auditor McEathron study the PUD finances and recommend a plan for replenishing the fund. Auditor McEathron agreed to do so with the ultimate goal of replenishing the Disaster Fund back to \$500,000 by December 1, 2012.

Commissioner Esch inquired as to which Resolution No. 2384 Auditor McEathron preferred. Auditor McEathron stated his preference is for large transfers of funds to be approved by the Board, but can also see in emergency situations the need to transfer funds in between Commission meetings. Commissioner Leach stated his preference is for all transfers to go before the Board. Commissioner Esch spoke to the difficulties of managing cashflow, particularly when the time between Commission meetings is three weeks.

Commissioner Leach suggested the special meeting could be held over the telephone authorizing a transfer with subsequent signing of the resolution. Commissioner Gale stated certain expenses, such as the BPA power bill, must be paid; and that management needs the flexibility to pay those obligations in negative cashflow situations. Commissioner Leach stated that with good planning and forecasting, we should be able to anticipate the need for additional funds in advance of reaching negative cashflow. Manager Gentry explained that we anticipated a large BPA bill but the storm was not an event we could anticipate or absorb the affects of. Commissioner Gale inquired whether BPA will adjust the demand spike from the extended outage in Underwood. Manager Gentry agreed to check with our BPA Account Executive.

Commissioner Gale discussed his own electric bill that was estimated too high in his opinion. Commissioner Leach stated that it should even out the next billing cycle when an actual read of the meter is performed. Auditor McEathron explained the methodology used for estimating bills when the meters cannot be read in time for billing. Commissioner Leach asked if we had to estimate the whole county. Auditor McEathron explained we only estimated accounts for one route and that if customers have concerns with the estimated bill, we have accepted their self reading of the meter.

Commissioner Esch stated it appears the Board prefers the second Resolution No. 2384 – B. Commissioner Leach confirmed and inquired whether the Board was comfortable with the proposed transfer amounts. Commissioner Gale stated he was comfortable with the split but he would like the Rate Stabilization Fund evaluated. Manager Gentry stated the funding for replenishing the Rate Stabilization Fund would need to be determined based upon financial analysis by the Auditor. Commissioner Leach suggested we address the replenishment of the Disaster Fund first and consider the Rate Stabilization Fund thereafter. Auditor McEathron suggested the PUD gain more experience under BPA's new rate structure and allow the PUD's 5.5% rate increase to be realized over time before deciding to change the Rate Stabilization Fund contributions.

Commissioner Esch cited the resolution provides the Auditor the needed flexibility to use the Rate Stabilization Fund specifically to pay the BPA power bill in cashflow shortage situations. Commissioner Leach stated he would be more comfortable if the Board was informed every time a transfer needed to be made so the Board could give their approval and maintain fiscal control. Commissioner Esch agreed with the need for the Board to maintain control but he was comfortable with the specific provision granting the Auditor authority to transfer funds to pay the BPA power bill. Commissioner Leach asked what the terms are for payment of the BPA bill. Auditor McEathron stated it was about twenty days, but the PUD must move money in advance to cover the electronic funds transfer. Commissioner Gale stated he could go either way with the resolution.

Commissioner Leach made a **motion** to approve the version of **Resolution No. 2384 - Defining Purposes for the Rate Stabilization Fund** and requiring Board preauthorization on all transfers. Commissioner Esch **seconded** the motion and the resolution was **approved unanimously**.

Resolution No. 2385: Transferring funds from the Disaster Fund and Rate Stabilization Fund to the Electric General Fund, Commissioner Esch made a **motion** to approve the version of **Resolution No. 2385**. Commissioner Leach **seconded** the motion and the resolution was **approved unanimously**.

Commissioner Gale inquired whether the Board can expect a resolution from the Auditor to replenish the Disaster Fund. Auditor McEathron stated he would introduce a resolution after some fiscal analysis of the PUD's finances and further clarity on the actual cost of the disaster. Commissioner Gale asked whether BPA offers an equal pay arrangement to customer utilities. Manager Gentry agreed to inquire with BPA.

Commissioner Leach inquired whether the PUD had received any damage claims. Manager Gentry stated no official claims had been filed as of the meeting.

Commissioner Esch inquired if the cause of the lineman being electrocuted was proven to be a generator back-feed. Manager Gentry stated no it had not been proven but was suspected to be the cause, therefore the PUD released a news article in response. Commissioner Leach asked where the incident occurred. Manager Gentry stated it occurred in the Mill A area.

Commissioner Esch stated he wanted to attend the February 7, 2012, exit conference with the Washington State Auditor's Office. Auditor McEathron explained that if a majority of the Board wanted to attend the exit conference, a special meeting would be required or separate individual meetings with each commissioner. Commissioner Leach inquired as to the results of the audit. Auditor McEathron expressed his reservations about discussing the results of the audit in this open public meeting. Commissioner Leach expressed his desire to attend the meeting. Commissioner Gale inquired what the State Auditor's Office preference was for the exit conference format. Auditor McEathron stated that it is not common for an exit conference to be held in a public meeting and that it is the audit client's responsibility to comply with the Open Public Meetings Act should a majority of the governing board want to attend the meeting. Commissioner Gale noted that the discussion being held is outside the scope of this Special Meeting and suggested the meeting be adjourned.

Meeting adjourned at 10:15 a.m.

Dennis Gale, President

Curt Esch, Secretary

The next regular scheduled Board of Commissioners' Meeting will be:
Monday, February 6th, 2012 at 9:00 a.m.