

**PAGE ELECTRIC UTILITY
REGULAR BOARD MEETING
JANUARY 9, 2007**

CALL TO ORDER: The regular meeting of the Page Electric Utility Board was called to order at 5:31 p.m. on January 9, 2007 by Chairman Brynn Johns. The meeting was held in the conference room of Page Electric Utility, 19 Poplar Street, Page, Arizona.

ROLL CALL: Board members present: Chairman Johns, Bob Talbot, Rick Yanke, Tony Ferrando, Scott Sadler and Vice Mayor John Cook.

Staff present: General Manager, Bryan Hill; General Construction/Maintenance Supervisor/Assistant to the General Manager, Todd Savage; Finance Director, Catherine Foley; and Executive Secretary, Donna M. Roberts.

Also present: City Attorney, Rick Olson and City Councilors Lyle Dimbatt and Elmer Horton.

MOMENT OF SILENCE: The Board observed a moment of silence.

APPROVAL OF MINUTES: Motion by Sadler, seconded by Yanke to approve the December 12, 2006 Regular meeting minutes with an amendment to page three, the fourth sentence in the first paragraph beginning at 2) to read: *"to transfer to PEU the balance of funds remaining from the sale of Lake Powell Mobile Home Village after paying the bond call"*.

The motion carried with a unanimous vote.

AUDIENCE AND COMMUNICATION: None.

UNFINISHED BUSINESS: Discussion/Possible Action – UAMPS Cost Recovery Charge/Payson-NEBO: Bryan reported that the discovery process is moving forward. He added that an executive session would not be necessary at this time.

Discussion/Possible Action – WAPA Agreement No. 06-SLC-0592: Bryan reported that WAPA called in response to his letter and agreed that it would not be necessary for Page to enter into this agreement.

The Board expressed their appreciation to Bryan for his work on this.

Discussion/Possible Action – Appropriate LGIP Fund Balance:
Bryan reported on his meeting with Bond Counsel to determine a responsible fund balance. Chairman Johns felt if we need to purchase a share of a power plant in the future we should bond rather than pay cash. Bond Counsel recommended setting up sub-funds with different uses within our total LGIP fund balance.

Bryan added Bond Counsel suggested that a better way to manage our assets would be to put money into a capital improvement fund over the next ten years until we reached \$1.5 million. Chairman Johns confirmed that a rate stabilization fund is typical in the utility business. Without the generators our only protection against market cost of power is the FERC cap.

There was discussion regarding the need to establish a Sinking Fund for new generation. It was recognized that there were costs associated with a Bond issue. Bryan reported that he had discussed a transformer failure with our insurers. Normal wear and tear was not covered under our policies but most other eventualities were. It was felt that two out of the three uninsured Contingencies needed to be provided for out of our LGIP balance. It was recognized that uninsured Legal expenses should also be provided for out of the LGIP balance. It had previously been recommended by our auditors that there should be a sub account within LGIP holding a balance equivalent to the Utility deposits we hold.

Motion by Chairman Johns and second by Talbot to establish sub-funds within LGIP with the following beginning balances:

- Capital Improvements \$ 500,000
- Rate Stabilization Fund \$3,000,000
- Sinking Fund for Future Generation \$ 500,000
- Contingency Fund \$ 450,000
- Legal Fund \$ 500,000
- Customer Deposits – (approximately) \$ 500,000

These figures would be presented to Council. The Capital Improvement fund would be increased by 15% per year with an eventual target of \$1,500,000. The Sinking Fund for Future Generation would grow at some percentage tied in to the annual increase in the demand for power. The Rate Stabilization Fund

would be evaluated annually during the budget process based on lake levels, market prices for gas and electricity, and other appropriate factors. All funds would be evaluated at least once a year during the budget process and more often if necessary.

The motion carried unanimously.

NEW BUSINESS:

Discussion – Definition of PEU Blended Cost & Wholesale Power as Discussed at the December 7, 2006 City Council Meeting: The Board was seeking clarification on Council's motion from their December 7th meeting with regard to the appropriate billing rate for the general funds energy consumption. Bryan explained three different scenarios - wholesale power costs, blended "cost of service" and the standard Council adopted commercial billing rate.

After lengthy discussion, it was the consensus of those present to have the General Manager, City Manager and City Attorney to look at this but there would not be any change in this budget year.

Discussion/Possible Action – Future SPPR Participation: Bryan explained that the SPPR (Southwest Public Power Resources) Group was formed like a joint action agency for Arizona. Bryan is asking the Board whether or not PEU should be a participant and commit to a cost of \$19,297.57 being our share of the feasibility study. He added that participants may terminate their interest in this agreement one hundred eighty days after giving advance written notice.

Councilor Elmer
Horton:

Councilor Horton left the meeting at 6:44 p.m.

After lengthy discussion, there was a motion by Sadler and second by Talbot to authorize the General Manager to participate in the operating agreement with the SPPR Group.

The motion carried by a unanimous vote.

Vice Mayor Cook,
Councilor Lyle Dimbatt
& Rick Olson:

Vice Mayor John Cook, Councilor Dimbatt, and Rick Olson left the meeting at 6:58 p.m.

Discussion/Possible Action – Approval of Bid #129 Substation Design: Motion by Talbot and second by Ferrando recommending Bid #129 be awarded to ICPE for a total of \$115,240 and forward to City Council for their concurrence.

The motion carried by a unanimous vote.

REPORTS:

General Manager's Reports: Bryan reviewed the December General Manager's Report.

Financial Report: The November financial report was briefly reviewed.

Committee Reports: Talbot reported that Matt Fredericksen has advanced to the next level in the apprenticeship program. Todd added that Matt has received good marks for all tests, reports and on the job performance.

Chairman's Report: None.

EXECUTIVE SESSION:

UAMPS - Cost Recovery Charge/Payson-NEBO - Pursuant to A.R.S. §38-431.03(A)(3), the Board may vote to go into executive session for discussion with the Attorney for the Board for the purpose of consultation for discussion of legal advice relating to the UAMPS Cost Recovery Charge/Payson-NEBO. Not held.

Definition of PEU Blended Cost and Wholesale Power as Discussed at the December 7, 2006 City Council Meeting - Pursuant to A.R.S. §38-431.03(A)(3), the Board may vote to go into executive session for discussion with the Attorney for the Board for the purpose of consultation for discussion of legal advice relating to PEU's Blended Cost & Wholesale Power. Not held.

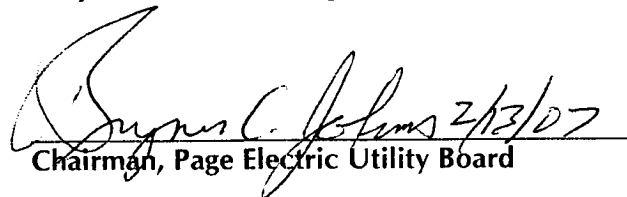
ANNOUNCEMENTS:

None.

ADJOURNMENT:

Chairman Johns adjourned the meeting at 7:45 p.m.

APPROVED:


Chairman, Page Electric Utility Board