

Ticaboo Electric Improvement District
PO Box 2111, Ticaboo, Utah 84533

6/28/2010

Uranium 1 - 10-2508-01

In response to the second Uranium 1 complaint filed with PSC

Uranium 1 ("U1") is the lease under a Ground Lease and Development Agreement and the Ticaboo Electric Improvement District ("District") is a political subdivision of the State of Utah, Holding a Certificate of Convenience and Necessity issued by the Public Service Commission ("Commission").

While U1 retailed power to the residents of Ticaboo without the proper and necessary permits, the rate structure was as follows:

- a) Residential - \$50.00 base rate including 200kw and \$.26 per kw thereafter.
- b) Commercial - \$50.00 base rate including 200kw and it varied between \$.38 - \$.45 per kw thereafter.

U1 had a separate rate schedule for commercial properties. The residents of Ticaboo paid these rates for their property along with the commercial users including the Bee Hive Phone Company, the small LDS church (this church building has a small residential meter and were being overcharged by U1) and the lease holders on the boat shop and restaurant. Any additional expense related to the cost of power should be attributed to U1 operating a 70 room Motel, C-Store and gas station. These are large commercial buildings with 3 phase meters and put a large demand on our power system. I wouldn't classify this as a subsidy to the residents since all other users paid U1 for their electric use.

As part of the agreement, U1 required lower rates for the commercial properties, the MOU was non binding and strictly an understanding of possible ways to operate the new district, it also had provisions for renegotiation or amendments by either party, U1 refused any attempts at renegotiation. Throughout this process we expressed our concerns about the MOU and the lack of funding for the district to be able to operate. This fell on deaf ears and many verbal promises made by U1 did not materialize. This then became a unilateral contract and is unenforceable.

The rates were uniform for the first 3 months of 2010. U1 gave us the beginning meter readings and we read the meters for the first time on Jan 31 2010. After repeated requests for the history of the power system the only data we were given was for all the paying customers without any data from the U1 controlled commercial properties. We never had any history to compare to so our starting point had to be the readings they gave us. U1 then disputed the first bill in January at the uniform rates, and discontinued service on 3 of their 5 commercial properties. Along with that they also disputed their meters. Keep in mind these meters were fine when U1 was selling retail power to the public and billing lease holders of the same properties and one meter on the 70 room motel was installed new by U1 about a year prior. We then had to purchase new meters, have them installed and take the existing meters to Garkane for certification. All the meters certified within the legal limits but were running slightly slow. This cost the district \$2,270.00 in unnecessary expenses. After performing all this unnecessary work they continued to protest their bill. No payment was made for the January bill in February or March.

By this time, without the revenue from the commercial properties, the district was in financial trouble, we were on the brink of bankruptcy. This was an unforeseen circumstance and it became an emergency in order to continue operation of the district. During our regularly scheduled meeting on March 10th 2010, a resolution was passed by the board of trustees for a new rate schedule. This was a regular meeting and had been posted back in November 2009 by the attorneys that worked on the agreements. U1 was completely aware of the meeting as it was also posted around town for all to see. U1 did not attend that meeting. The public was heard and resolution was passed as required. The new

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amended tariff and rate schedule was approved and filed with the PSC. Notice was mailed to all property owners including U1. Ref to Tariff rules 4.1.3 and 4.2.3.

A conference call was set up with the district, U1 and Denison Mines about the financial situation U1 had put us all into. During that call, Jon McKay of U1 stated "this is not over, we do not accept Garkanes certification". U1 continued to complain about the January, February, March and April bills, still no payment from U1. Denison agreed to give us a helping hand and loan us money for fuel and agreed to pay any replacement costs so we could lower our insurance requirements. After going back and forth about this matter U1 agreed to pay January's bill under protest. We couldn't understand why U1 would be causing so much hardship to this fledging district and disputing the original rate structure and perfectly good meters. Finally on April 15th 2010 we received a check for \$16,977.43, this check was not written until April 6th 2010.

On May 14th 2010 we then received another payment for \$6,979.01 from U1 which was written on May 4th 2010, continuing to protest the rates.

On May 31st after the meters were read I noticed that U1 had turned on a meter without authorization. This meter was shut off at the request on Jon Mckay in a Febuary 10th 2010 email. (copy enclosed). There was no communication from U1 to the district regarding reinstating service. A simple email was all that is required. May 31st 2010 was Memorial Day so the following morning the Garfield County Attorney Barry Huntington was contacted regarding this unauthorized, illegal theft of services. He stated U1 had set up a conference call with himself, the Garfield County Commissioners, County Planner that day and to wait for his return call. U1 never made it to the call. Commissioner Dodd and the Mr. Huntington tried repeatedly to get in touch with U1 regarding the illegal use of electric services and your refusal to pay for April and May services. By Thursday they could not get in touch with U1 and advised us to shut off their services, which we did. The county attorney then reported it to the Garfield County Sheriff for investigation. Witness statements were signed. That evening Steve Morril a U1 employee came to the residence of Chuck Birrenbach and admitted he performed the illegal act of turning on the electric service and threatened to assault Chuck if charges were not dropped. Kay Randall, Jim Hills both board members, was present and witnessed this threat. Chuck explained to Steve, this was not the Wild West and the district will follow all rules and laws and enforce the same when the law is broken, and this type of activity will not be tolerated. Chuck reminded Steve of the same situation that happened in July of 2009 after U1 requested to shut off the water meters to the commercial property, then sent out a U1 employee to turn them back on illegally and started using the water hoping the district wouldn't find out so U1 could steal water from the district. This was authorized by U1 property manager Kim Bean. Chuck found out and sent a district employee out to remove the meters so this wouldn't happen again. Steve also admitted that he and Kim will do everything possible to hurt, cripple or make life miserable for all the volunteer personnel that give there all to operate the district in these hostile conditions. After several hours of discussing everything that have been going on in Ticaboo, Steve finally left the premises.

At the end of May U1 sent a check for \$1,459.64 which had a restrictive endorsement as Full Payment of the April invoice (ck #7599 dated 05/21/2010) at that time their balance was \$20,643.24. They considered this all they would pay. This is another example by U1 to break the district. This check was extremely unreasonable and was returned to U1.

On Friday June 4th 2010 Chuck postponed his vacation and set up a conference call with Norman Schwab and Jon McKay from U1 and the board of trustees since the County Commissioners and Attorney couldn't get them to come to a call all week. At that conference U1 agreed to expedite a check for "something" again, until the issue of the new rates is resolved. Norman stated that they will not pay the billed charges for any reason. He was very unruly and unreasonable. He stated that if their property is

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causing too much of a demand on the system and we cannot afford to operate the system, he asked for a courtesy 48 hour notice and agreed we could discontinue service without incident. We agreed to turn the power back on at that time taking their word that we would have a check within a day or so, the power was on within 15 minutes of the end of our call. Then Chuck went on his weekend vacation, not before as stated by U1 in paragraph 28. We kept our word and again U1 did not expedite a check for any amount.

At the June 10th 2010 regularly scheduled public meeting the community was outraged at the misbehavior of U1 and asked the board of trustees to take a stand and put a deadline on U1 payment since nothing had been received by this meeting time. The board passed a motion indicating U1 had until Wednesday June 16th 2010 at noon to have a check to us for at least a partial payment. Friday June 11th 2010, after the mail had been delivered, no payment was received from U1. Chuck had contacted John McKay and explained the deadline to him. He stated that he would not even process the check that was promised at the June 4th 2010 conference call until Friday the 18th of June and for quite a bit less than the amount owed. Kay Randall the Chairman of the district contacted John McKay regarding this also by phone on Friday. He was told that U1 would not pay the amounts owed under any circumstances.

Chuck received an email stating that on June 16th 2010 Jon McKay would be in Ticaboo and was willing to meet. We tried to set up a meeting with him and the board a 5pm, he indicated he would only be there one hour. Chuck and Jim Hills dropped what they were doing in order to meet with Jon and get this settled. Jon told us he gave Steve the authorization to illegally turn on the meter and steal power from the district. He then stated that U1 position would not change and they were unwilling to pay their electric bill. After stating they are doing this purposely to try to "break" the district and literally thumbed his nose at Jim and Chuck, we realized that they would never cooperate and never had any intentions to cooperate. Jon stated they were a large corporation and would tie this up for many years with their team of attorneys. As Jim and Chuck were ready to leave the room, Jon said he would try to get Norman to approve a payment of \$10,000 if we would leave the power on. He stated that checks were to be processed on Friday June 18th 2010. We agreed to the terms and did not shut down the electric.

Every attempt has been made by the district to solve this problem with U1 but to no avail. They made it clear they will take every measure possible to create a hardship on the district and its volunteer personnel. U1 caused the rate increase by withholding payment until April 15th 2010, now they want to go back to the old rates which were also disputed.

Answer to 31: After the informal complaint filed by U1, the Department of Public Utilities ruled in favor of the district.

Answer to 14, 23, 36, 37, 38, 39, 40, 42, and 43: Statements are false. Public meetings were held.

Answer to 44: Statement is false. Service was shut off for unauthorized use.

Answer to 47: Statement is false. MOU and original tariff rates were disputed by U1 showing a pattern of unwillingness to cooperate. The board of trustees did what was necessary and in the best interest of the district in order to operate the district. These were unforeseen circumstances and created an emergency situation that had to be addressed.

The district has followed all rules and regulations and is operating legal and proper.

The district has made every attempt to work through this with U1, including many conference calls, meetings with U1, public meetings (U1 or their representatives haven't attended any public meetings held by the district) and a web site inviting them to be involved with the districts financial, operation and maintenance responsibilities. Yet they continue to complain.

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Uranium 1 has caused all these issues, protesting every bill no matter what the rates are, disputing meters requiring the district to expend funds unnecessarily.

Uranium 1 has displayed a pattern of unwillingness to cooperate with the district and create as much damage and harm to the district as possible.

Uranium 1 obviously knew commercial rates should be higher than residential because they charged higher commercial rates when they were the power supplier. Then made it a condition to lower commercial rates when the district assumed responsibility

The Tariff clearly states "The District will generally provide electric service to all applicants within the District's boundaries, as long as the applicant meets all the requirements of this Tariff and subject to the Districts ability to provide those services". Preliminary Statement page 3. U1 is taking away the ability to provide services to the paying customers.

The Tariff and MOU have inconsistencies in the way the rates should be determined. The original Tariff clearly states, ELECTRIC SERVICE RATE SCHEDULE, Electric usage rates,"The following rate is for a period of one month". The district maintained these rates for a period of 3 months. Requiring the district to charge the same for a single wide mobile home or RV and a large commercial building is not feasible. We modeled the "ERU" system after the Ticaboo Special Service District rates which were suggested by Division of Drinking Water and the Community Impact Board when we upgraded our water and sewer systems in Ticaboo, which work very well.

Allowing U1 to not pay their bill and continue using electricity is detrimental to the successful operation of the district and its good paying customers.

U1 obviously new commercial rates should be higher than residential rates because that is the way they charged for electricity when they were provider.

The district asks that the commission swiftly comes to a decision and impose fines on U1 for their misbehavior and require them to pay the balance owed to the district under the existing approved rates, including all the unnecessary expenses incurred by the district due to U1 disputes and protests and for such further relief as the commission deems to be just and equitable.

The district asks that the commission allow the district to discontinue service of U1 properties immediately until such time as a final decision is made or until payment is made in full.

Time is of the essence.

Sincerely,

Chuck Birrenbach | District Manager
Ticaboo Electric Improvement District