

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
DECEMBER 18, 2006

The regular weekly meeting of the Board of Commissioners of Public Utility District No. 1 of Clallam County was held at the Port Angeles Office, 2431 East Highway 101, on the above date commencing at 1:30 p.m.

Commissioners present were: Hugh E. Simpson, Jr., President; W.E. Purser, Vice President; and Hugh Haffner, Secretary.

Staff present were: Doug Nass, General Manager; Joshua Bunch, Treasurer Controller; Ken Foster, District Auditor; Roger Hosto, Operations Superintendent; Tom Martin, Assistant Water & Wastewater Systems Superintendent; Fred Mitchell, Power Resources & Telecommunications Manager; Shawn Delplain, Network Administrator; and Carol Biss, Executive Assistant.

Others present were: Francisco De La Cruz, Brian Gawley, Dick Goodman, Craig Johnson, Cindy Kelly, and Teri Martin.

On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the December 11, 2006 regular weekly meeting as amended.

Mr. Craig Johnson of Capacity Provisioning Inc. presented a letter to the Commissioners in appreciation for work done by PUD employees Fred Mitchell and Shawn Delplain. During the windstorm on December 15, a fallen tree broke the fiber connection to one of CPI's internet service providers. Service was rerouted using a PUD connection, which minimized the amount of time that CPI's customers were without service. Mr. Johnson thanked the PUD and its IT Department for the quick response.

The regular meeting recessed at 1:34 p.m., and a budget hearing began at that time. Treasurer Controller Bunch presented the proposed 2007 operating fund budgets for the Electric, Water, and Wastewater Departments. Total funding sources for the Electric Department were \$67,560,055; and total expenditures were \$57,131,238. Total funding sources for the Water Department were \$3,925,071; and total expenditures were \$3,322,798. Total funding sources for the Wastewater Department were \$58,500; and total expenditures were \$35,600. The hearing was opened for public comment. There being none, the hearing adjourned at 1:37 p.m.; and the regular meeting reconvened at that time.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission adopted Resolution No. 1825-06, adopting the Electric, Water, and Sewer Operating Fund budgets for 2007 as finally determined.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved Contract Change Order No. 6 to the contract with Standard Construction in the amount of \$936.54 for additional work on the Morse Creek Water Treatment Plant.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission accepted as complete the contract with Innerpole Investigations for pole inspection, treating and reporting in 2006 for a total cost of \$122,716.58, including Washington State sales tax. (Contract No. 060801)

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved removal of delinquent accounts from the active accounts receivable in the amount of \$2,903.62.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the Committee and Organization Membership list for 2007.

On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission canceled the December 25, 2006, and January 1, 2007 meetings due to the Christmas and New Year's holidays.

Telecommunications and Power Resources Manager Mitchell presented proof copies of the materials for the meter-base surge protection program, including an informational booklet for customers, waiver and sign-up form, and the limited warranty information for the surge protection device. He noted that the manufacturer's warranty for the devices is limited and excludes "electronic equipment." Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission directed staff to implement the District's Primary Point of Entry Surge Protection Program. The Commissioners thanked staff for all of the work they have done in developing the program.

Operations Superintendent Hosto reported on the impact of last week's storm. There were some outages in the West End as early as December 11-13, and crews were working to restore power in those areas. On December 14-15, a large windstorm came through the area, causing outages throughout the District's service area, starting in the West End and moving to the east. Both a transmission and a

distribution line at the Elwha River crossing were brought down by the storm, and that affected areas along Highway 112, customers west of the Lyre River, the Piedmont area, and the west end of Lake Crescent. Customers near Monroe Road, Deer Park Road, and Mt. Pleasant Road also experienced outages for extended periods. At this time, power has been restored to most customers, and it is expected that the power will be on for all customers by this evening. Mr. Hosto discussed some of the challenges related to this storm, including repair of the Elwha River crossing, cold load pickup, and inability to obtain mutual aid because the storm affected so much of Washington State. He recognized customers for the support and encouragement they give to the crews and complimented them on their patience during the outages.

A discussion followed regarding various items related to the outages and the storm. Mr. Francisco De La Cruz told the Commissioners that it is helpful to provide as much information as possible to customers when they call, such as the cause of the outage and whether or not crews have been dispatched to an area. He said his neighborhood had formed a telephone tree to minimize the calls coming into the District during a storm. Mrs. Cindy Kelly thanked the District for its efforts in restoring power to Dry Creek Water Association and talked about the potential for the Elwha River crossing to be affected by future storms. Mr. Dick Goodman from KONP Radio thanked the District for the outage update sent to the media on the evening of December 15 and asked the District to send updates to the media or post updates on the District's web site if outages occur after regular working hours.

A list of claim vouchers as certified by the General Manager and District Auditor was considered. On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved payment of claim vouchers in the amount of \$3,111,941.26 for December 18, 2006. District Auditor Foster reported that the claim vouchers included 14 rebates for conservation programs totaling \$9,984.20.

The Commissioners reviewed a letter from Thomas Noguchi, Senior Transmission Account Executive at Bonneville Power Administration, urging BPA customers to join the North American Electricity Reliability Corporation (NERC). Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the District joining the NERC.

On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission appointed Commissioner Haffner as President of the Board for 2007 and 2008. On motion of Commissioner Simpson, seconded by Commissioner Haffner and carried, the Commission appointed Commissioner Purser as Secretary of the Board for 2007 and 2008.

Commissioner Haffner reported on the meeting with the consultant conducting the feasibility study for a satellite sewer system in the Carlsborg Urban Growth Area and a follow-up meeting with County Commissioner Steve Tharinger.

Commissioner Purser reported on a Clallam County Economic Development Council meeting he attended. Funding is still being sought for the Forks Biomass Project. Kitsap County EDC asked Clallam EDC for a letter endorsing the speedway they are construction in Kitsap County. He also reported on a Peninsula Development Association meeting about the Forks Biomass project. He said that the Friday Fax reported that the state Public Works Board approved changes to the Drinking Water State Revolving Loan Fund, increasing the maximum amount a utility may borrow to \$4 million per year for a low-interest loan. He noted that Grant County PUD received a \$3.2 million loan from the state's Energy Freedom Loans program for a biodiesel facility project.

Commissioner Simpson reported on the meeting with the consultant for the satellite sewer system feasibility study. He also reported on a NoaNet meeting that he attended earlier in the month. NoaNet's financial projections indicate that by 2008, NoaNet would be covering its operating costs and a portion of its debt service. By 2011, NoaNet expects to be paying all operating costs and debt service.

Mr. Bunch presented the Treasurer's Report for November 2006. Interest for the month totaled \$123,530.11; cash totaled \$3,968,436.11; and the investments totaled \$22,690,062.81.

Attendance at was confirmed and approved.

The regular meeting recessed at 3:42 p.m. to go into executive session for personnel matters. The executive session adjourned at 4 p.m., and the regular meeting reconvened at 4:05 p.m.

On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission adopted Resolution 1826-06, amending Resolution 1817-06, which established compensation for the General Manager.

There being no further business to come before the Commission, the meeting adjourned at 4:09 p.m. to meet again Monday, January 8, 2007, at 1:30 p.m. in the Port Angeles office.