

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
JULY 17, 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: Michael McInnes, Interim General Manager; Ken Foster, District Auditor; Joshua Bunch, Treasurer/Controller; Mike Kitz, Water and Wastewater Systems Superintendent; Roger Hosto, Operations Superintendent; Larry Morris, Operations Facilities Superintendent; Fred Mitchell, Telecommunications & Power Resources Manager; David Proebstel, Chief Engineer; Quimby Moon, Transmission/Substation/SCADA Systems Manager; Janet Sundby, Customer Services Supervisor; Marina Lassila, Credit and Collection Specialist; Terri Guerrero, Part-time Customer Service Representative; and Carol Biss, Executive Assistant.

Others present were: Brian Gawley, Peter Ignatjev, Eloise Kailin, Cindy Kelly, and Teri Martin.

On motion of Commissioner Purser seconded by Commissioner Simpson and carried, the Commission approved the minutes of the June 26, 2006 regular weekly meeting as submitted. On motion of Commissioner Haffner seconded by Commissioner Purser and carried, the Commission approved the minutes of the July 10, 2006 regular weekly meeting as submitted.

Customer Services Supervisor Sundby introduced two new employees: Marina Lassila, Credit and Collection Specialist, and Terri Guerrero, Part-time Customer Service Representative.

Transmission, Substation and SCADA Systems Manager Moon reported on the proposed Johnson Creek Substation in Sequim. The District's application for a special use permit was approved by the Sequim City Council. Mr. Moon discussed landscaping requirements and presented drawings showing the layout of the substation. Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission authorized staff to call for bids to furnish one 20/26/33 MVA power transformer with LTC. (Bid Number 060809) The transformer will be installed in the Johnson Creek Substation when it is constructed in 2007.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission authorized the Interim General Manager to negotiate a contract with Lindberg and Smith Architects for modifications to the roof on the District's Sequim office.

The Commission agreed to hold an informational meeting on August 2, 2006, at 6 p.m. at the District's Carlsborg Operations Center, 110 Idea Place. The purpose of the meeting is to present information about the planned feasibility study for a sewer system in the Carlsborg Urban Growth Area.

Mr. Peter Ignatjev was present to discuss a low-frequency humming sound he hears at his home. He suspects the transformer at the District's Prairie Substation is the source of the sound. After a staff report and discussion of the matter, the Commissioners agreed that the Prairie Substation transformer could be de-energized for a short period of time, so tests could be conducted under those conditions. Mr. Ignatjev would be required to pay a deposit to cover District expenses.

Interim General Manager McInnes reported that Bonneville Power Administration released "The Long-Term Regional Dialogue Policy Proposal," a comprehensive proposal addressing the long-term role of BPA in serving the Pacific Northwest's power needs after 2011. He noted that additional information is available in the July 2006 "Issues Summary" and the "Backgrounder." The Policy Proposal was released for public discussion, and BPA is soliciting regional dialogue and comments on the Policy Proposal. Mr. McInnes said that the BPA Administrator has scheduled a press conference today to announce BPA's wholesale power rates for the period beginning in October 2006.

A list of claim vouchers as certified by the Interim General Manager and District Auditor was considered. On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved payment of claim vouchers in the amount of \$494,700 for July 17, 2006. District Auditor Foster reported that the claim vouchers included 2 rebates for conservation programs totaling \$440.

Commissioner Purser reported on a North Olympic Peninsula Resource Conservation and Development Council meeting to review and approve the Council's budget.

Treasurer/Controller Bunch presented the Treasurer's Report for June 2006. Investments totaled \$25,138,230.11; cash totaled \$628,860.34; and interest for the month totaled \$23,470.32. Mr. Bunch reviewed actions taken to move certain investments, resulting in a savings to the District of over \$3,000

per month for a period of time. He commended Financial Assistant Ruth Kuch for her work on this project. He also reported on the letter of credit that BPA requires for its Flexible PF Rate Program. Bank of America drafted the documents for the letter of credit, and they are being reviewed by staff and the District's bond counsel. The documents will be presented to the Commission by the August 14 meeting.

Telecommunications and Power Resources Manager Mitchell reported on deadlines for action by utilities related to the Public Utility Regulatory Policy Act (PURPA) and The Energy Policy Act of 2005. He reviewed dates by which consideration will need to begin and dates by which determinations will need to be made regarding standards for net metering, smart metering, interconnection, fuel diversity, and fossil fuel generation efficiency. In early August, staff will present a resolution authorizing the Interim General Manager to begin consideration of smart metering and interconnection standards. Mr. Mitchell noted that the Washington PUD Association is working on developing guidelines that utilities could use in meeting PURPA standards. Referencing SeaBreeze's proposed 500-megawatt wind project, Mr. Mitchell said he had asked the District's Account Executive from BPA how a project of that size would affect the District's electric system reliability. BPA staff offered to attend a Board of Commissioners meeting to discuss this issue.

Attendance at meetings was approved.

The regular meeting recessed at 2:55 p.m. to go into executive session for personnel matters. The executive session adjourned at 3:54 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 3:55 p.m. to meet again Monday, July 24, 2006, at 1:30 p.m. in the Port Angeles office.