

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
JULY 24, 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; Joshua Bunch, Treasurer/Controller; Ken Foster, District Auditor; Fred Mitchell, Telecommunications & Power Resources Manager; Quimby Moon, Transmission, Substation, SCADA Systems Manager; and Carol Biss, Executive Assistant.

Others present were: Brian Gawley, Cindy Kelly, Teri Martin, Ken Morgan, Lloyd Pedersen, and Ed Tuttle

On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the July 17, 2006 regular weekly meeting as submitted.

Interim General Manager McInnes reviewed a request for release of an easement granted some years ago covering property in excess of what is necessary for the underground line as actually installed. The property owners have provided a new easement, which more specifically defines the route of the underground cable. Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved and signed a Release of Easement of the original easement recorded under Auditor's File No. 20051172194.

Transmission, Substation and SCADA Systems Manager Moon reviewed the bid tabulation (Bid Number 060808) and the consultant's evaluation of the bids for a three-phase, outdoor, 25 MVA mobile substation with LTC. Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission accepted the bid of Pauwels Contracting, Inc. for a mobile substation in the amount of \$1,449,923 for a base unit, \$18,000 for a steerable rear axle on the trailer, and \$3,500 for an ANSI Audible Noise Test.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission awarded Bid No. 060807 to General Pacific, Inc. for furnishing schedule 40 HDPE duct in the amount of \$230,200 plus Washington State sales tax.

Mr. Lloyd Pedersen presented his proposal to transfer water from the Elwha River to Lake Dawn and then to the Dungeness Valley to be used for drinking water. It is his opinion that there is sufficient water in the Elwha River to serve areas of the County east of the river. He urged the Commission to ask the federal government not to remove the dams on the Elwha River.

Telecommunications and Power Resources Manager Mitchell reported that Bonneville Power Administration issued a Record of Decision last week saying the base rate for wholesale power would be \$27.33 per megawatt-hour before distribution costs or Cost Recovery Adjustment Clauses (CRACs). The new rates take effect October 1, 2006. He said that the net effect to the District is estimated to be about a five percent decrease in wholesale power costs, but further analysis is needed to make a final determination. It is possible that an increase in BPA transmission rates may offset some of the decrease in wholesale power costs.

The Commissioners reviewed a draft letter to Mr. Jay Manning, Director of the Washington State Department of Ecology. The letter addresses inconsistencies in the Department of Ecology's policies with respect to water right applications. Staff will bring the letter back for consideration by the Commissioners at the next meeting

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 \$621,951.59 for July 24, 2006. District Auditor Foster reported that the claim vouchers included 41 rebates for conservation programs totaling \$21,245.02.

Commissioner Haffner reported on a Clallam County Economic Development Council Board meeting. The EDC Board heard a report by a consultant from the University of Washington, who is doing additional work to follow up on the Siemens' study on the proposed biomass project in Forks. Commissioner Haffner discussed some common problems with studies about co-generation projects, including assumptions for supply and price volatility over a 20-year period. Since Commissioner Haffner will be unable to attend the next EDC Board meeting on August 17, he asked Commissioner Purser to take his place at the meeting.

Following up on Commissioner Haffner's discussion of the study for the Forks biomass project, Commissioner Purser said one of the problems is in assuming everything would escalate at the same rate, which is not likely. He asked about the surge protection program. Mr. McInnes said staff is

continuing to work through a variety of issues. The goal is to have program language to discuss with the Commissioners in August so that a program is ready to be adopted in the fall.

Commissioner Simpson reported on Washington PUD Association meetings in Omak last week. He reported on activities at several of the PUDs as reported at the Commissioners Roundtable. He reported on a WPUDA Board Meeting at which Gary Thompson from BPA discussed BPA contracts. There is a WPUDA water workshop scheduled for August 27-29 in Asotin. REC Renewable Energy Company may provide photovoltaic equipment for the proposed WPUDA office building in Olympia. Ten PUDs have made contributions to assist WPUDA in achieving the LEED Platinum certification for the new building. Ground breaking for the Olympia building is scheduled for August 2. Tom Karier from the Northwest Planning and Conservation Council reported to the WPUDA Commissioners about the Council's activities, including recent court rulings on fish issues. Other topics discussed at the WPUDA Board meeting included a malfunction at the Columbia Generating Station, pole attachment standardization, a proposed carbon cap trade on hydropower, and the Department of Labor and Industries' effort to change licensing requirements for third party contractors.

Mr. McInnes presented the Interim General Manager's Report. He briefly reviewed the District's policy on reimbursement of in-person interview expenses and noted that the Commissioners have discretion for full reimbursement for key positions. Commissioner interviews with two candidates for the General Manager position will be August 15 and 16, starting at 8:30 a.m. A few additional applications have been received and are being reviewed. Mr. McInnes said he signed, on behalf of the District, documents for Bridge and Termination Loan extensions of Judgment.

Mr. Mitchell reported on the status of a proposed power sales contract with Port Townsend Paper. He discussed ways to secure the District's position in case of default without charging excessive amounts to the customer. He proposed an administrative fee of \$1 per megawatt-hour, which received concurrence from the Commissioners. Mr. Mitchell will have the contract reviewed by legal counsel to draft provisions to address an emergency fish CRAC by BPA.

Attendance at meetings was approved.

The regular meeting recessed at 3:21 p.m. to go into executive session regarding contracts. The executive session adjourned at 4:33 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 4:34 p.m. to meet again, Monday, July 31, 2006, at 1:30 p.m. in the Port Angeles office.