

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY  
MINUTES OF THE REGULAR WEEKLY MEETING OF  
THE BOARD OF COMMISSIONERS  
OCTOBER 2, 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; Michael Kitz, Water and Wastewater Systems Superintendent; Fred Mitchell, Telecommunications and Power Resources Manager; and Carol Biss, Executive Assistant.

Others present were: Eloise Kailin, Cindy Kelly, Bob Hoyle, Pam Macas, and Bill Roberds.

On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the September 25, 2006 regular weekly meeting as submitted.

The regular meeting recessed at 1:32 p.m., and the budget hearing began at that time. Treasurer Controller Bunch presented the proposed budgets for the Electric, Water, and Wastewater Departments in 2007. These preliminary budgets will be reviewed and revised, prior to adopting the final budgets later this year. Mr. Bunch reviewed funding sources and expenses for each Department. In the 2007 budget, total funding sources for the Electric Department were \$65,679,391 and total expenditures were \$58,164,448. Total funding sources for the Water Department were \$3,862,800 and total expenditures were \$3,256,868. Total funding sources for the Wastewater Department were \$54,300 and total expenditures were \$22,900. He compared the 2007 budgets to the projected budgets for 2006 and discussed line items that had significant changes. Public comments were received and staff answered questions regarding the 2007 budgets. The budget hearing adjourned at 2:03 p.m., and the regular meeting reconvened at that time.

Water and Wastewater Superintendent System Kitz reported that the District had moved to Stage 2 of the Drought Response Plan for the Gales Addition Water System. The action followed the City of Port Angeles' Stage 2 declaration. He said that the Department of Ecology announced that the stream flow for Morse Creek is below 25 cubic feet per second and has requested that the District move to Stage 4 for Fairview Water System customers. Stage 2 is voluntary conservation and Stage 4 is mandatory outdoor restrictions and indoor conservation.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission authorized the Interim General Manager to sign Change Order No. 1 of Contract 060406 with Cedar Ridge Associates LLC for additional work in the amount of \$7,499.

A drawing was held to select the District's nominee for the 2006 Walkley Educational Scholarship. Geoffrey Bower's name was drawn, and it will be submitted to the Washington PUD Association for a final drawing from a pool of names submitted by PUDs in Washington. The scholarship is awarded annually to a high school senior who is the son or daughter of a PUD employee.

Mr. Bill Roberds suggested that the District consider making a portion of District property near Peninsula College available for additional parking.

Mr. Bob Hoyle discussed his concerns about fluoride in drinking water.

Interim General Manager McInnes provided information on the Public Power Council Executive Committee election.

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 \$1,993,515.04 for October 2, 2006. District Auditor Foster reported that the claim vouchers included 20 rebates for conservation programs totaling \$8,075.18.

Commissioner Haffner said that Governor Gregoire's cabinet members are on an information gathering tour. A few of them came to Clallam County last week to meet with community leaders and discuss topics of local interest in a small group setting. Commissioner Haffner reported on the discussion at his table with a representative from the Department of Revenue and others from the community. The topics included economic issues, annexation, the Business and Occupation tax, revenue sharing, revenue for counties and cities, and the Washington State sales tax. Healthcare issues, such as access to healthcare, were also discussed.

Commissioner Purser reported on a Sequim Dungeness Chamber of Commerce meeting, which included a forum for candidates running for Clallam County Sheriff. He said that, in response to questions he received about the District's Meter Base Surge Suppressor Program, he provided information about the manufacturer's warranty.

Commissioner Simpson also reported on the meeting with representatives of the Governor's cabinet. He was in a group that included a representative from the State's Information Services Department. Commissioner Simpson said he emphasized the importance of infrastructure and talked about why water rights and wastewater systems are critical issues in Clallam County. He also reported on a Port Angeles Business Association meeting, at which a recommendation on a park master plan was made. He said the North Olympic Peninsula Building Association sponsored a forum for candidates for County Sheriff and State Representatives.

Telecommunications and Power Resources Manager Mitchell said that Bonneville Power Administration did not accept the grant application for the proposed wave energy project in Makah Bay. BPA is developing a Technology Innovations Group, which may have funding for research and development. There may be an opportunity to submit applications for renewable energy projects to that group next year.

Mr. McInnes presented the Interim General Manager's Report. He received a letter from Clallam County Sheriff, Joe Martin, saying he is no longer in need of leasing space in the District's Idea Place Barn facility for a Sequim Detachment. Mr. McInnes reported that he had discussed with legal counsel Dr. Kailin's request for the District to intervene in legal proceedings regarding citizen initiatives in the City of Port Angeles. The District's legal counsel advised that this is a voting issue of another jurisdiction, and the District does not have standing on the issue. He suggested that pursuing the matter would likely not be successful. The State Auditor has requested an Exit Conference on Monday, October 23, 2006, at 12:30 p.m. The Commissioners agreed that Commissioner Haffner would represent the Commissioners at the meeting.

Attendance at meetings was approved.

The regular meeting recessed at 3:02 p.m. to go into executive session for personnel and legal matters. The executive session adjourned at 4:41 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 4:42 p.m. to meet again Monday, October 9, 2006, at 1:30 p.m. in the Port Angeles office.