

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY  
MINUTES OF THE REGULAR WEEKLY MEETING OF  
THE BOARD OF COMMISSIONERS  
SEPTEMBER 17, 2007

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 Haffner, President; Hugh E. Simpson, Jr., Vice President; and W.E. Purser, Secretary.

Staff present were: Doug Nass, General Manager; Ken Foster, District Auditor; Joshua Bunch, Treasurer Controller; Mike Kitz, Water and Wastewater Systems Superintendent; Roger Hosto, Operations Superintendent; Dave Proebstel, Chief Engineer; John Purvis, Distribution Systems Manager; Fred Mitchell, Power Supply and Utility Services Manager; Carla Field, Records Coordinator; and Carol Biss, Executive Assistant.

Others present were: Ron Browning, Brian Gawley, Paul Manson, Teri Martin, and Sara Mitchell.

On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the September 10, 2007 regular weekly meeting as submitted.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission authorized the General Manager to execute the September 14, 2007 amendment to the Power Sales Agreement between the District and PUD No. 1 of Klickitat County. The amendment extends the contract for one year with a two percent increase in the base price for energy and an additional \$3.50 per Renewable Energy Credit.

Mr. Paul Manson, President of Sea Breeze Power Corp., was present to talk about a proposed project to send wind-generated electricity from Vancouver Island to Port Angeles. Sea Breeze Pacific Juan de Fuca Cable, LP has proposed a 550-megawatt high-voltage direct current light transmission cable from Victoria under the Strait of Juan de Fuca to Port Angeles where it would connect to the Bonneville Power Administration (BPA) grid. He reviewed the permitting process and technical studies for the project. All major permits are expected to be approved by the end of the year and technical studies are almost done. He discussed local, regional, and national benefits of the project, which he said would relieve congestion on the I-5 corridor, provide access to renewables to meet Renewable Portfolio Standards, and provide backup power in case of an outage on the single BPA line from Shelton that serves the Olympic Peninsula. Sea Breeze wants to lease property in Port Angeles near the BPA substation for a converter station. He said he hoped BPA or BC Hydro would integrate wind with hydro power to firm up the wind power.

The Commissioners received information from the Washington PUD Association about nominations for annual awards, scholarships, and programs. On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission nominated Commissioner Simpson for the WPUA Lifetime Achievement Award. A nomination form will be submitted to the WPUA.

A list of claim vouchers as certified by the General Manager and District Auditor was considered. On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved payment of claim vouchers in the amount of \$353,633.57 for September 17, 2007. District Auditor Foster reported that the claim vouchers included 3 rebates for conservation programs totaling \$2,530.40.

Commissioner Purser reported on a Sequim Dungeness Valley Chamber of Commerce Board meeting. At that meeting he reported on the District's budget hearings for the 2008 budget, which are open to the public, and the cost of service studies being conducted for the District. There was a discussion about the State's plans to build a rest stop near the Simdars Road exit in 2008, even though the interchange is not complete. This area is near the site that the District will be building the Johnson Creek Substation. One of the items County Commissioner Tharinger discussed with the Chamber was activities related to a sewer system in the Carlsborg Urban Growth Area. It was reported that Sequim is going to proceed with expansion of its sewer treatment plant based on the City's needs. Commissioner Purser also reported on a teleconference for a subcommittee of the NASA water inventory study.

Commissioner Simpson said that Asotin County completed their Water Resource Inventory Area Plan. He reported on a Port Angeles Business Association meeting at which the Department of Ecology, Rayonier, and the Lower Elwha Tribe discussed the progress of the cleanup at the

Rayonier site. Work is being done on the final report for land use. He also reported on a Port Angeles Forward Committee meeting. The Committee is composed of representatives from the City of Port Angeles, the County, Port, District, and Port Angeles area businesses. They discussed alternate routes around the City of Port Angeles. One of the suggestions involved the use of Bonneville Power Administration's right-of-ways. He asked staff to check with the BPA about this matter.

Commissioner Haffner reported on a Rotary Club meeting where Sequim Police Chief Bob Spinx and Mayor Schubert discussed the proposed rest stop at Simdars Road. Commissioner Haffner spoke at the Port Angeles Kiwanis Club last week. He talked about power issues, removal of the Elwha dams, and the economy.

Treasurer Controller Bunch presented the Treasurer's Report for August 2007. Interest for the month totaled \$97,365.97; cash totaled \$3,943,181.02, and the total amount invested was \$19,588,893.69.

General Manager Nass and Power Supply and Utility Services Manager Mitchell discussed proposed participation in the Central Washington Power Agency. CWPA is a joint operating agency that was formed in 1962 by Grant and Kittitas County PUDs. The CWPA bylaws were recently amended to allow for the addition of new members. CWPA has the ability to pool resources, aggregate BPA power allocations, and manage resources more economically than utilities could on an individual basis. Upcoming changes in power supply include new requirements for renewable power and changes that BPA is proposing relative to allocation and implementation of tiered rates. CWPA may provide a source for renewable resources and an alternative to BPA's proposed tier 2 service. In response to discussion about whether or not CWPA would duplicate or compete with Energy Northwest, Mr. Nass said it is believed that CWPA would be complementary to ENW. To further explore the benefits of membership in CWPA and alternatives, the Commissioners approved staff sending a letter of interest for the first phase of CWPA activities.

Attendance at meetings was approved.

There being no further business to come before the Commission, the meeting adjourned at 4 p.m. to meet again, Monday, September 24, 2007, at 1:30 p.m. in the Port Angeles office.