

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
AUGUST 2, 2004

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

Staff present were: Ken Morgan, Transmission & Substation Systems Manager; Ken Foster, District Auditor; Mike Kitz, Water and Wastewater Systems Superintendent; Fred Mitchell, Telecommunications and Power Resources Manager; Larry Morris, Operations Facilities Superintendent; and Carol Biss, Executive Assistant.

Others present were: Francis Cummings, Bill Henry, Sr., Bob Hoyle, Dan Lyver, Cindy Kelly, Mark Rose, and Ed Tuttle.

On motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the July 8, 2004 special meeting as submitted. On motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the July 19, 2004 meeting as corrected. On motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the July 26, 2004 meeting as submitted.

Transmission and Substation Systems Manager Morgan said that RTO West (Regional Transmission Organization West) has resurfaced with a new name, Grid West. Snohomish PUD has contracted with Henwood Energy Services, Inc. to conduct a study of the costs, benefits, and alternatives of establishing an RTO such as Grid West in the Pacific Northwest. He reviewed a proposed Participation Agreement with Snohomish PUD wherein the District would be a Contributor to the study. The scope of work would include a study of the costs and benefits of establishing an RTO such as Grid West in the Pacific Northwest, a review of applicable work performed by the Public Power Council and others regarding the costs and benefits of existing RTOs and ISOs, a review of comments of public power RTO and ISO participants in other parts of the U.S., and a work plan for cost-effective alternatives to Grid West. Commissioner Haffner said that an RTO in the Northwest would result in higher costs to ratepayers and that the Henwood study would provide an opportunity to show the effect an RTO would have on the region. Commissioner Simpson said he also supported the study because, after the large outage in the Midwest last summer, there is pressure on the Federal Energy Regulatory Commission and Congress for an integrated system nation-wide. Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission authorized the General Manager to enter into a Participation Agreement with Snohomish PUD, establishing the District's role as a Contributor in the amount of \$5,000 to the Henwood Energy Services, Inc. study of the costs and benefits of a Regional Transmission Organization in the Pacific Northwest.

Mr. Francis Cummings was present to discuss the pre-annexation agreement, "Agreement for Water Service," that is attached to the Wholesale Water Contract between the City of Port Angeles and the District. The Contract requires that District customers who want new or expanded water services in the Urban Growth Area sign the pre-annexation agreement. Mr. Cummings explained why the phrase, "no-protest pre-annexation agreement" does not accurately describe the agreement. He said he does not think the public understands that signing the agreement is a vote for annexation by the City of Port Angeles. He suggested that the District consider this in their communications with customers and the public.

Mr. Morgan reported that there would be a meeting with Mr. Alan Burns of Bonneville Power Administration to discuss Grid West on August 6, 2004, at 1:30 p.m. at Mason PUD No. 3 in Shelton. He said the District would participate in the Joyce Daze Parade on Saturday, August 7.

A list of claim vouchers as certified by the General Manager and Auditor was considered. On motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission approved payment of claim vouchers in the amount of \$1,331,238.99. Auditor Foster reported that the claim vouchers included 28 rebates for conservation programs totaling \$8,228.76.

Telecommunications and Power Resources Manager Mitchell reviewed a draft of a newspaper ad about the District's moratorium on water connections in the Urban Growth Area. The text of the ad was discussed and revisions were suggested. Mr. Mitchell reported that the Western Public Agencies Group sent a letter to Bonneville Power Administration commenting on preliminary information on the Safety Net Cost Recovery Adjustment Clause (SN CRAC). The letter urged BPA to reduce the SN CRAC to zero for fiscal year 2005. He said that the District's largest green power customer has requested renewal of green rate power. He noted that he would be making a presentation at the Sequim Chamber of Commerce on August 10, 2004, at 12 Noon at the John Wayne Marina.

Mr. Morgan reported on a Bonneville Power Outage on July 30, 2004. He said that BPA was collecting oil samples at the Happy Valley Substation on that day. When the sudden pressure relay was being restored,

it tripped, causing the 230 kV breakers at Fairmount and Port Angeles Substations to open. This caused a loss of power from Blyn west, affecting the vast majority of the District's service territory. Power was restored to Port Angeles and the areas west of Port Angeles in approximately 15 seconds, while the Sequim area was without power for approximately 10 minutes.

Attendance at meetings was approved.

There being no further business to come before the Commission, the meeting adjourned at 2:30 p.m. to meet again Monday, August 9, 2004, at 1:30 p.m. in the Port Angeles office.