

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
DECEMBER 5, 2005

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
 Hugh Haffner, Secretary

Staff present were: Shelley Burgett, General Manager
 Ken Foster, District Auditor
 Mike Kitz, Water and Wastewater Systems Superintendent
 Dennis Shaw, Procurement Manager
 Fred Mitchell, Telecommunications & Power Resources Mgr.
 Vicky Alward, Water & Wastewater Systems Representative
 David Traub, Engineering Mapping Technician
 Carol Biss, Executive Assistant

Others present were: Brian Gawley
 Linda Rotmark
 Ed Tuttle

On motion of Commissioner Purser seconded by Commissioner Simpson and carried, the Commission approved the minutes of the November 28, 2005 regular weekly meeting.

Water and Wastewater Systems Superintendent Kitz said that the District submitted proposals to the Washington State Department of Ecology (DOE) for projects that would provide drought relief for Morse Creek. The DOE approved funding from the Drought Preparedness Account for two projects in the Fairview Water System: connecting an existing well near Deer Park Road to the District's system and the construction of a new well near the Morse Creek Water Treatment Plant. Mr. Kitz said the District was not given any new water rights and emphasized that the new water sources are to be used during drought periods only. Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission authorized the General Manager to enter into an emergency drought grant agreement with the Washington State Department of Ecology in the amount of \$210,000.

General Manager Burgett reviewed three funding options that were proposed by the Washington PUD Association (WPUDA) for construction of an office building in Olympia. WPUDA members have the option of paying their share in one lump-sum payment, in three equal payments paid over three years, or 25 percent down with the balance paid over 20 years using a traditional commercial loan. The Commissioners postponed a decision until later in the meeting.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved the removal of delinquent accounts from the active accounts receivable in the amount of \$2,848.43.

Existing and proposed Electric Line Extension Unit Prices were reviewed. Procurement Manager Shaw provided information about increases in material costs for some items and decreases in the District's cost for other items and discussed how those changes affect the Unit Prices.

Staff has been reviewing the Schedule of Deposits and Charges to ensure that the District is recovering its costs. Water and Wastewater Representative Alward discussed proposed changes to the Schedule due to increased costs to the District. She also reviewed proposed increases to the capital facilities charges for water customers. The proposed charges are based on a recent study the District conducted. She said that letters had been sent to all customers with outstanding

cost estimates to notify them of the proposed cost increases that would be effective January 1, 2006.

Telecommunications and Power Resources Manager Mitchell presented an overview of wind project opportunities. He provided information about the Reardan Twin Buttes Wind Project and said the output from the project would require interconnection with AVISTA and Bonneville Power Administration. Due to significant wind energy development, wind turbines may not be available for the project until 2008. He also discussed the White Creek wind project, a 200 MW project that is fully permitted. BPA has made a commitment to provide integration services for the White Creek project. Wind turbines have been ordered, and delivery is expected to begin in 2007. Mr. Mitchell also discussed possible opportunities to purchase output from the Nine Canyon Wind Project. Commissioners and staff discussed the wind projects, the District's alternative energy portfolio, and the District's future load growth. Staff will obtain additional information and continue the discussion at the next meeting.

The Commissioners discussed payment options for funding the construction of a WPUA office building in Olympia. On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved the option of three equal payments over a three-year period for the District's share of the WPUA's office building in Olympia.

A list of claim vouchers as certified by the General Manager and District Auditor was considered. On motion of Commissioner Simpson, seconded by Commissioner Haffner and carried, the Commission approved payment of claim vouchers in the amount of \$1,400,174.81 for December 5, 2005. District Auditor Foster reported that the claim vouchers included 11 rebates for conservation programs totaling \$3,127.87.

Commissioner Haffner reported on a Public Utilities Risk Management Services Board Meeting. One of the topics reviewed at the meeting was the lawsuit involving Klickitat PUD's landfill gas project. He also discussed healthcare costs and emphasized the importance of monitoring charges for healthcare services.

Commissioner Purser reported that an agreement is expected to be signed with Siemens to perform an engineering study on a proposed bio-generation project in Forks. He reported on a conversation with a Sequim customer about the District's broadband services. Commissioner Purser discussed a letter the Commission received from a customer who was not satisfied with the customer service provided by a contractor for the Power Shift program.

Commissioner Simpson reported on a Port Angeles Chamber of Commerce meeting today where Linda Rotmark, Executive Director of the Clallam County Economic Development Council, spoke about economic development activities and new jobs that are expected to be created in the county in the coming months. He also reported on a Port Angeles Business Association meeting. One of the topics discussed at that meeting was how proposed federal requirements for passports might impact tourism between Port Angeles and Victoria, B.C.

Mr. Mitchell presented the Telecommunications and Power Resource Manager's Report. He reviewed funding models for Northwest Open Access Network (NoaNet). If Grant PUD withdraws from NoaNet, the District's percentage share would be reallocated to 8.42 percent under the current bylaws. He discussed funding for the \$27 in '07 Campaign and reviewed a letter he wrote asking for an update regarding expenses for the campaign. He said that there has been discussion about several governmental entities meeting for joint planning for economic development and growth in the east end of the county.

Ms. Burgett presented the General Manager's Report. There is a meeting for reviewing the statement of qualifications for the proposed satellite sewer systems on December 21 at 10 a.m. in the Port Angeles office. The holiday luncheon for District retirees will be on December 20 at 2 p.m. There will be a Commissioners work session on the 2006 budget on Friday, December 16 from 9 a.m. to 4 p.m. in the Port Angeles office. She reported on a news release from Governor Christine Gregoire's office regarding summer spill on the Columbia River. Working with a

regional coalition, the Governor has filed a legal brief opposing arguments that more water in the river and more water spilling over the dams are necessary for endangered salmon.

Attendance at the following meeting was approved: Sharon Cramer and Mike Hill to attend an insulator seminar at SeaTac on December 7-8.

The regular meeting recessed at 4:44 p.m. to go into executive session for personnel matters. The executive session adjourned at 5:27 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 5:28 p.m. to meet again Monday, December 12, 2005, at 1:30 p.m. in the Port Angeles office.

President

ATTEST:

Vice President

Secretary